



**PINNACLE WEST**  
CAPITAL CORPORATION

**Analyst Conference**  
**November 6-7, 2008**

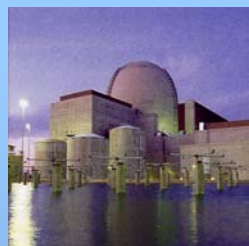
# Forward-Looking Statements

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These presentations contain forward-looking statements based on current expectations. Neither Pinnacle West nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome or timing of any pending APS rate cases; increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions; volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, and availability of supplies of such commodities; the outcome of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; regional, national and international economic and market conditions, including the strength of the housing, credit and financial markets; the potential adverse impact of current economic conditions on our results of operations; the cost of debt and equity capital and access to capital markets; changes in the market price of our common stock; entering into credit agreements that restrict dividends or contain other burdensome provisions; our ability to meet debt service obligations; current credit ratings remaining in effect for any given period of time; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trusts, pension and other postretirement benefit plan assets, the amount of required contributions to Pinnacle West's pension plan and contributions to APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; volatile market liquidity, any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; customer growth and energy usage; weather variations affecting local and regional customer energy usage; power plant performance and outages; transmission outages and constraints; the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; the ability of our power plant participants to meet contractual or other obligations; technological developments in the electric industry; the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; the performance of our subsidiaries and any resulting effects on our cash flows; the strength of the real estate market and economic and other conditions affecting the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.



THE POWER TO MAKE IT HAPPEN



# Operations Overview

**Don Brandt**

**Analyst Conference  
November 7, 2008**

# Strategic Objectives

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- **Manage intrinsic growth in our markets**
- **Prudently increase our resource portfolio**
- **Maintain top-quartile operational performance and reliability**
- **Achieve constructive regulatory outcomes**
- **Manage costs aggressively**
- **Improve financial strength and shareholder value**

# **Today's Agenda**

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- **Four-part plan to improve APS' financial strength**
- **Growth update**
- **Resource planning and management**
- **Operations overview**
  - **Fossil generation**
  - **Customer service**
  - **EEl Award and other recognition**
- **SunCor**

# **Plan to Improve APS' Financial Strength**

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- **Cost reductions announced January 2008**
  - **\$200 million capital expenditures 2008 – 2012**
  - **\$14 million annual O&M**
- **Additional \$700 million capital expenditure reductions 2009 – 2011 announced October 2008**
- **Interim rate request**
- **General retail rate case**

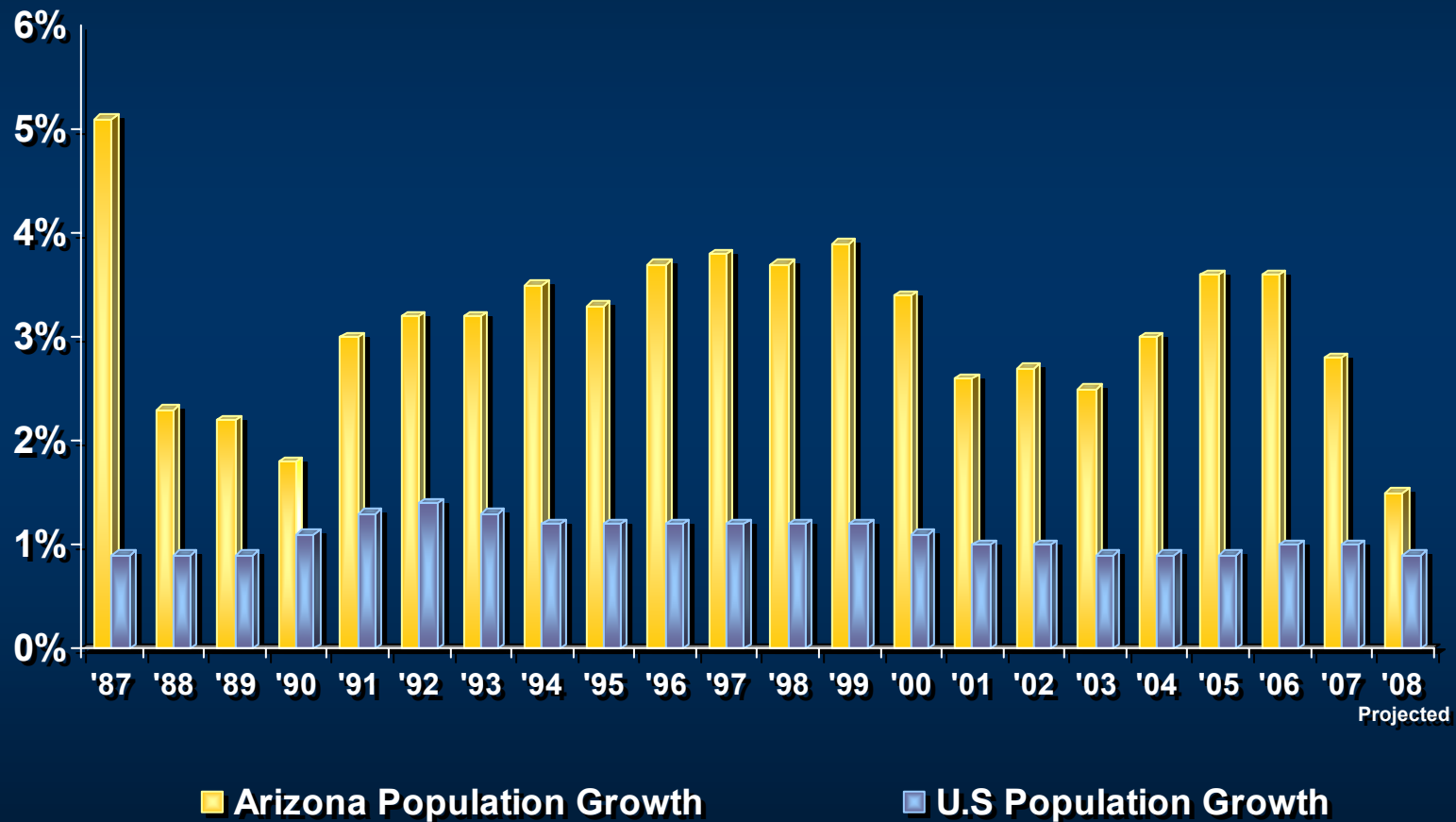
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# **Growth and Resource Management**

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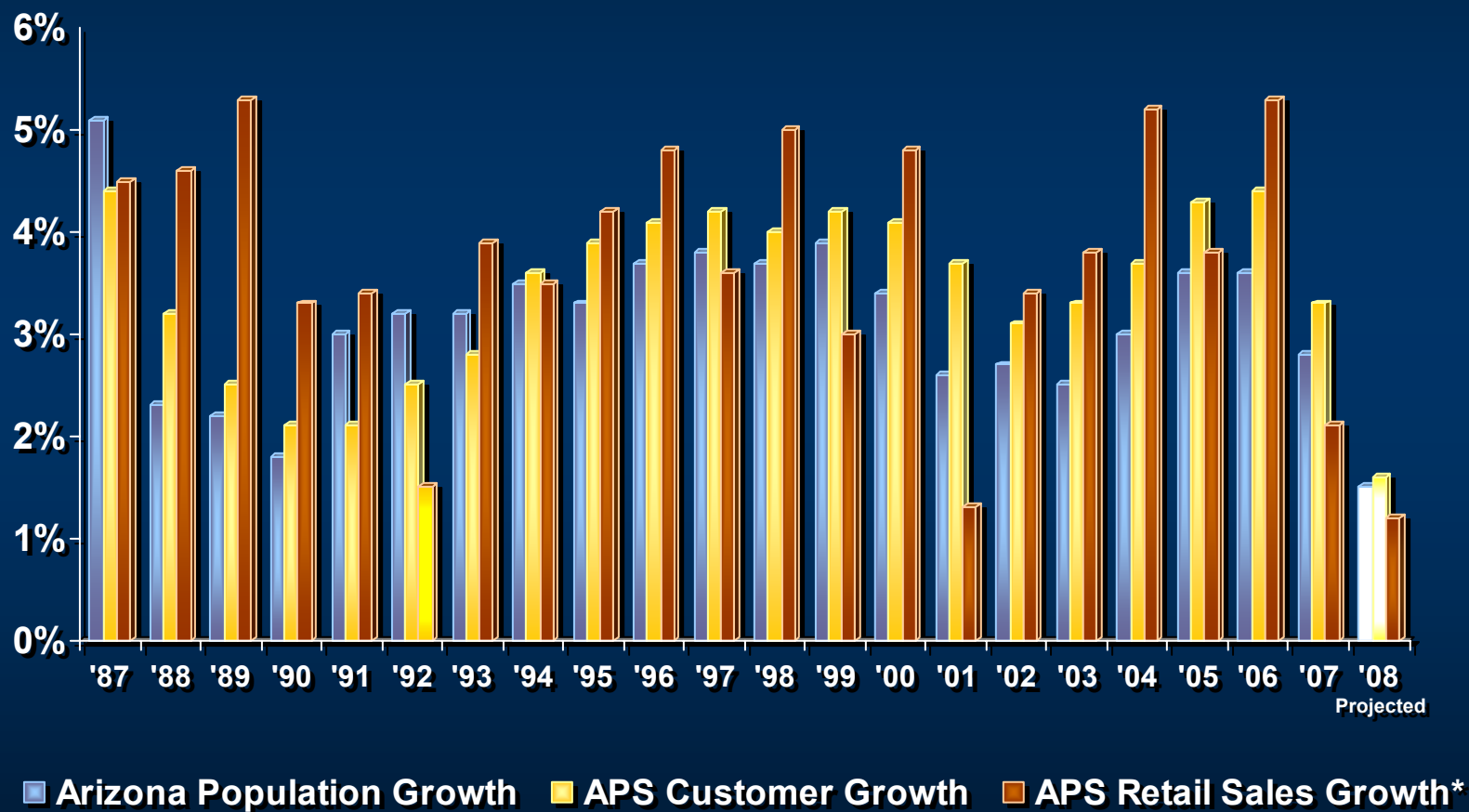


# Attractive Intrinsic Growth Characteristics Population Growth – Arizona vs. U.S.

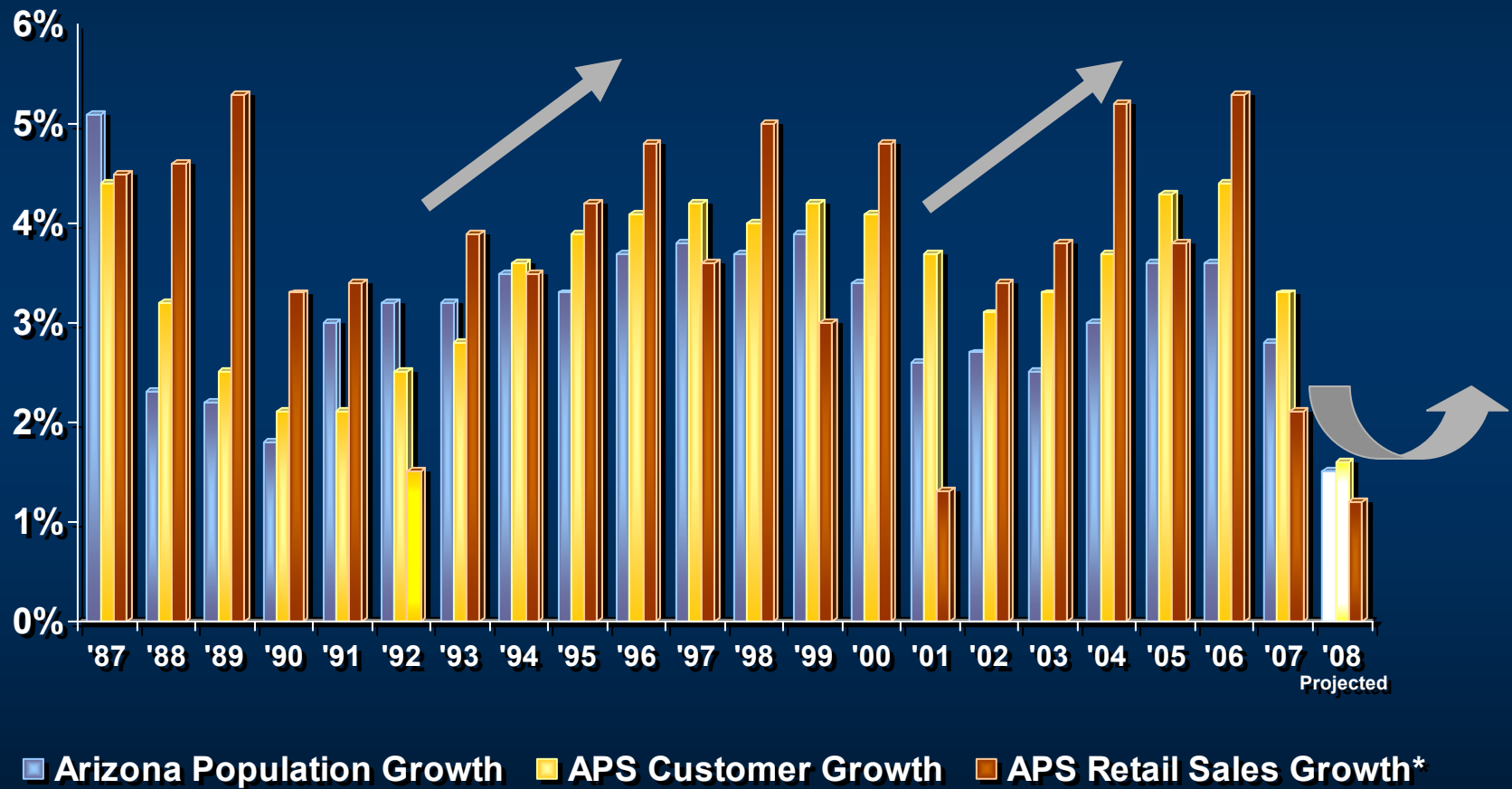




# Population Growth Underpins APS Business Growth



# APS Growth Historically Rebounds After Recessions



\* Weather-normalized

# APS Resource Management Initiatives

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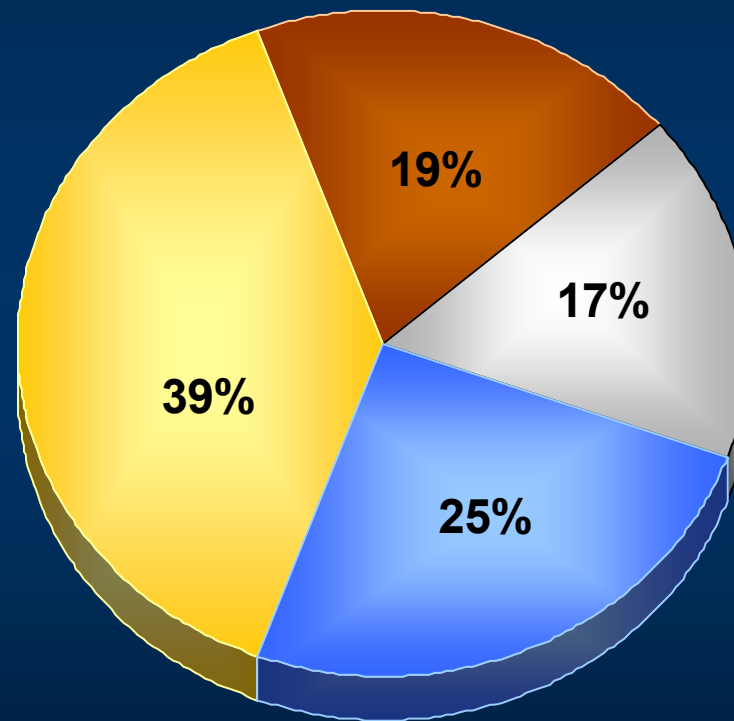
- **Maintaining diversified energy mix**
- **Balancing needs and resources**
- **Addressing renewables, energy efficiency and climate change**
- **Hedging purchased power and gas prices**



# Diversified Energy Fuel Mix

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## *Native Load*

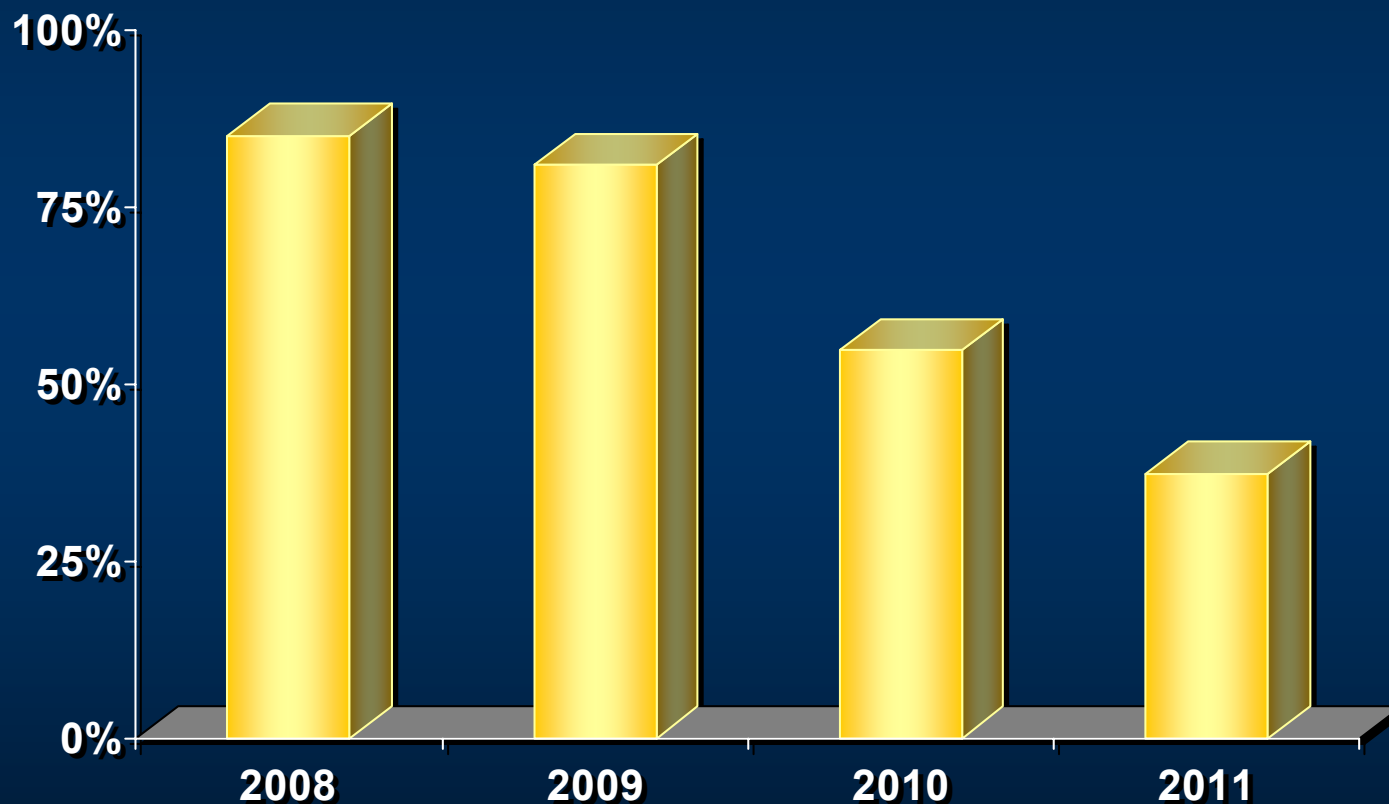


■ Nuclear   ■ Coal   ■ Gas   ■ Purchased Power

Twelve months ended September 30, 2008

# Purchased Power and Gas Hedging Program

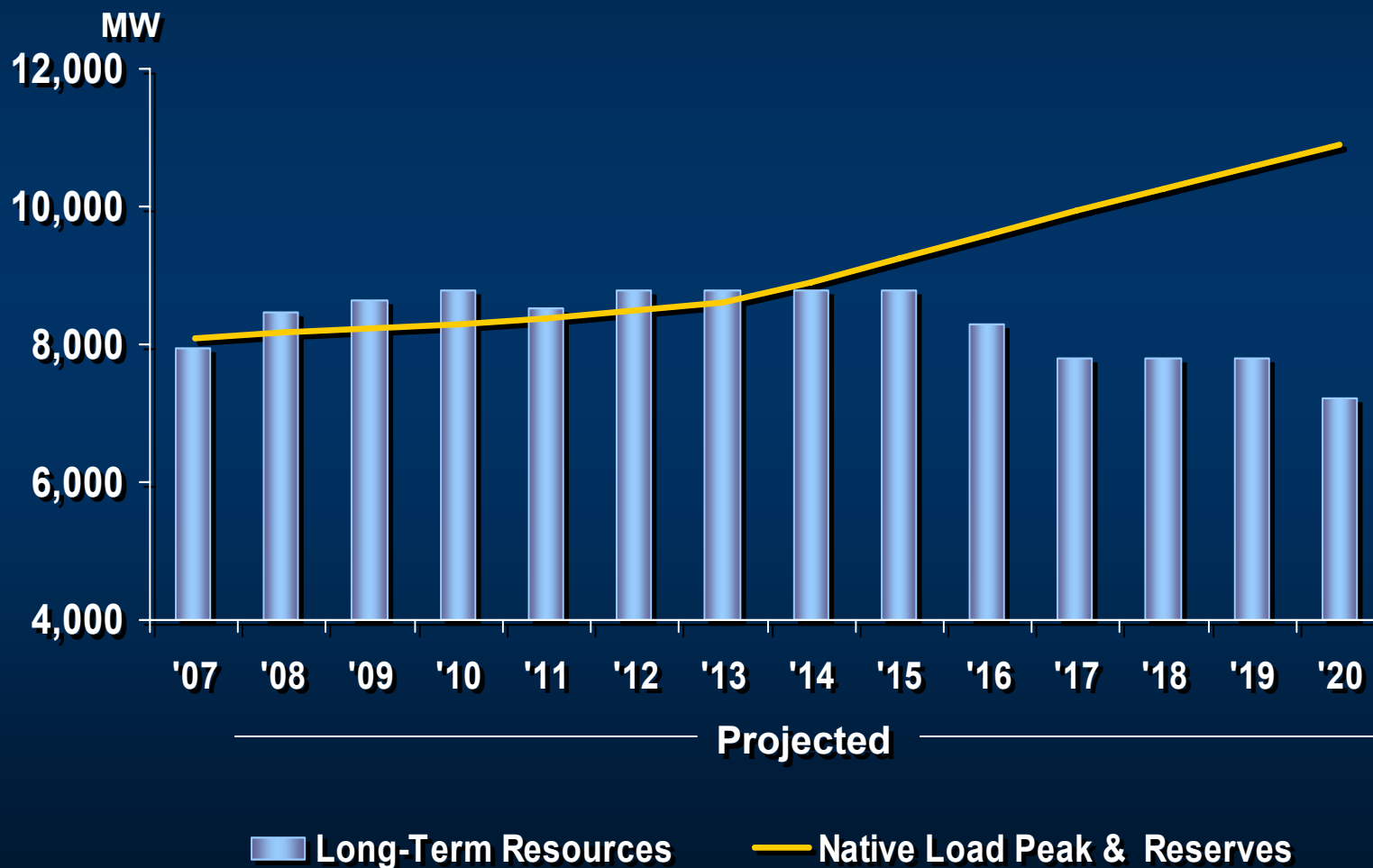
## *Percent of Requirements Hedged*



As of September 30, 2008

# Meeting Challenges of Peak Load Growth

*2007 - 2020 Average Annual Load Growth 2.3%*



# **Arizona Renewable Resource Requirements**

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- **Arizona Renewable Energy Standard (RES)**
- **Sets minimum renewable energy amounts**
  - **1.5% of energy for retail sales in 2007**
  - **5% of energy for retail sales by 2015**
  - **15% of energy for retail sales by 2025**
- **Includes distributed energy component**
  - **5% of total in 2007**
  - **30% of total by 2012**



# **APS Major New Solar Resource Solana Generating Station**

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- **280 MW concentrating solar plant 70 miles southwest of Phoenix**
- **Larger than any existing solar facility in the world**
- **APS 30-year purchase power agreement for all output (900 GWh/year)**
- **Thermal storage capability will allow summer on-peak capacity factor over 90%**
- **To be built, owned and operated by Abengoa Solar**
- **Planned to be operational in late 2011**

# **Solana Generating Station**

## **Recent Milestones**

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- **APS participation approved by ACC September 2008**
- **Status of Certificate of Environmental Compatibility (CEC)**
  - **Siting committee approval October 2008**
  - **ACC ruling expected December 2008**
- **Renewables tax credit extension approved by Congress September 2008**



# **Resource Planning for the Future**

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- **Stakeholders actively involved**
- **Resource needs and options evaluated**
  - **Peaking capacity through next decade**
  - **Baseload capacity thereafter**
- **APS resource plan to be filed with ACC year-end 2008**
- **ACC integrated resource planning rules being developed**

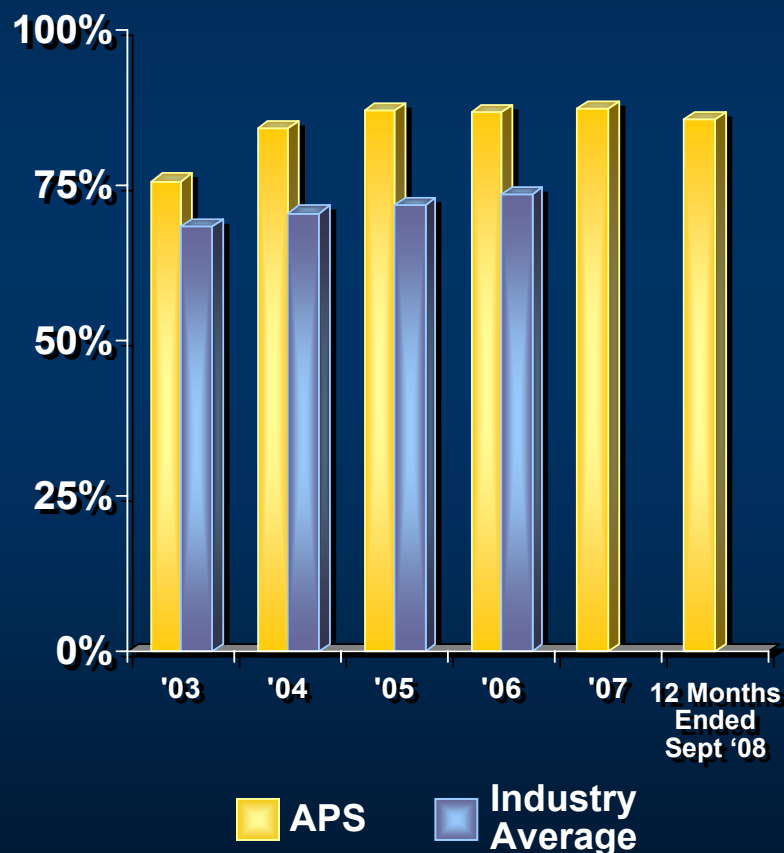
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# **Operational Excellence**

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# Top-Tier Coal Generation Performance

## Capacity Factors



## 2007 Highlights

- **Record fleet capacity factors for fourth straight year**
- **Cholla**
  - Set new production record 5.1 million MWh
  - Capacity factor 90%
- **Four Corners**
  - Capacity factor 86%
  - 14.6 million MWh generated

# Fossil Generation Environmental Targets

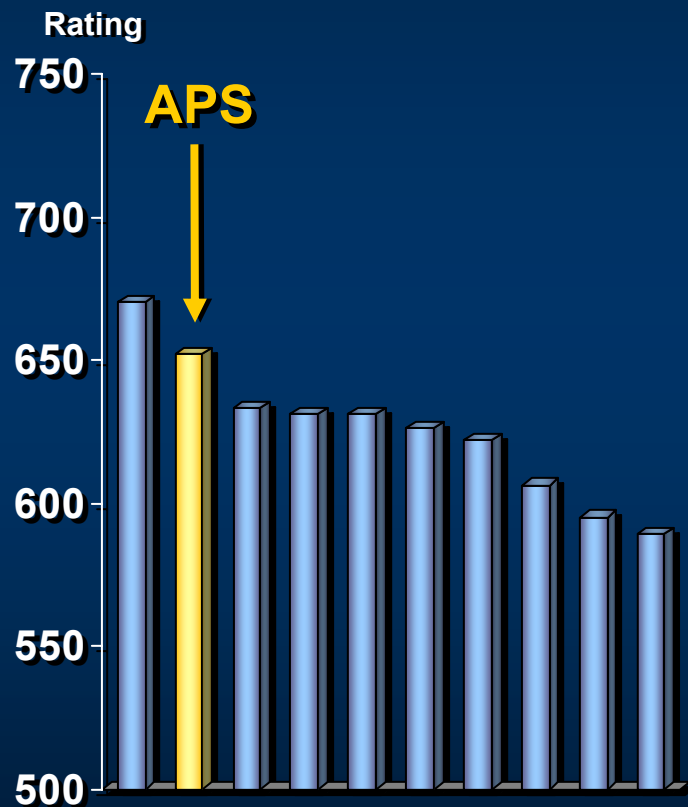
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- **Zero non-air related reportable environmental incidents**
- **Self assessments at each plant annually**
- **Environmental Management Systems (EMIS) to promote compliance at all levels**

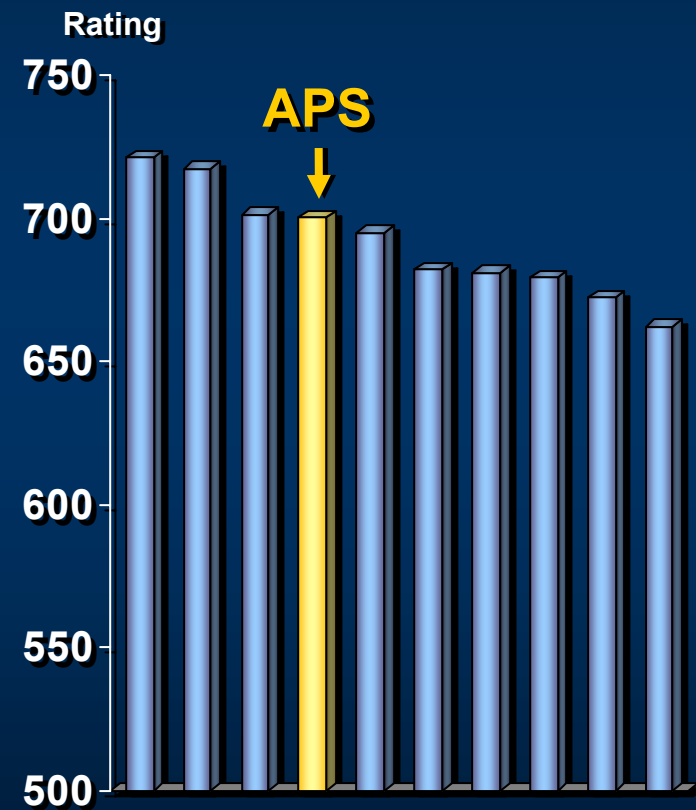


# APS Customer Satisfaction High Among Western Electric IOU's

*Residential Customers*



*Commercial Customers*

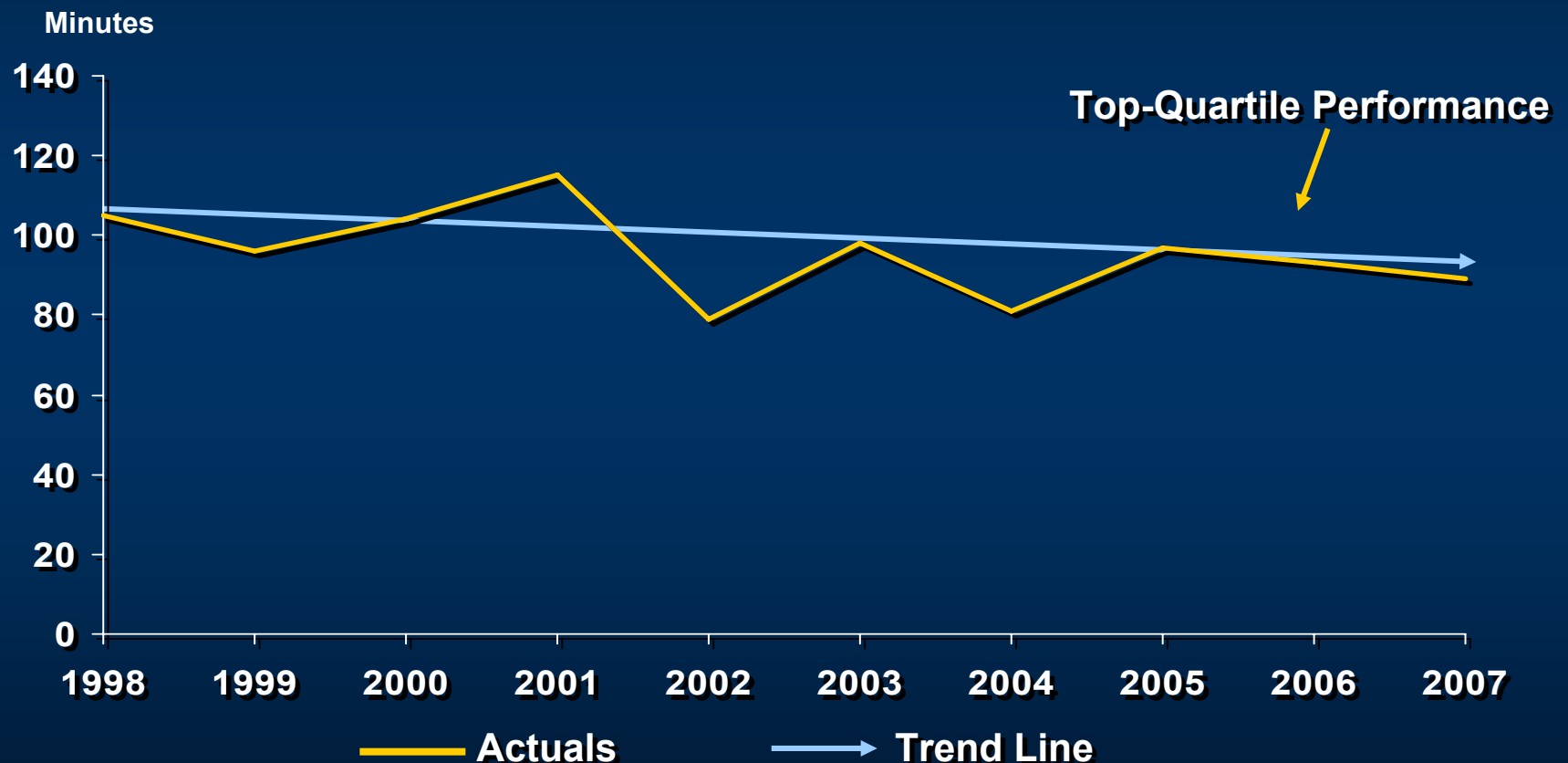




# Top-Quartile Reliability

## Reducing Average Customer Outage Time

### *System Average Interruption Duration Index (SAIDI)*



Average annual outage time per customer

# Labor Day Storm Response Exemplified Excellence

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## *Timeline*

### **August 28 - Thursday**

- **10:00 p.m.— First Storm - 80,000 customers out**

### **August 29 - Friday**

- **6:30 a.m. — 32,000 out**
- **8:00 p.m. — 3,400 out**
- **11:00 p.m.— Second Storm - 9,000 more off**

### **August 30 - Saturday**

- **7:30 a.m. — 4,000 out**
- **9:00 p.m. — 1,500 out**

### **August 31 - Sunday**

- **Customers out reduced to 400**

### **September 1 - Monday**

- **All restored by 3:00 p.m.**



# Labor Day Storm Response Statistics

- **51 distribution feeders – 80,000 customers impacted**
- **Call Center handled 47,609 customer calls on August 29 (single-day record)**
- **Over 2,600 trouble orders**
- **Vegetation management crews cleared lines at 250 locations**
- **147 poles and over 100 transformers replaced**
- **500 employees and 200+ contractors involved in restoration efforts**



# APS Receives Electric Industry's Most Prestigious Honor

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**“APS’ new system for monitoring transformer performance is a remarkable achievement and could potentially benefit electric utilities everywhere.... This system represents a significant step forward in managing and monitoring the electric grid.”**

**Thomas Kuhn  
Edison Electric Institute President  
June 2008**



# Other Recognition

## Environmental, Sustainability and Technology



- Innovest's highest rating (AAA) and ranked #2 electric utility
- Dow Jones Sustainability Index
- Global 100 Most Sustainable Corporations in World by Corporate Knights
- Storebrand's Social Responsibility Index "best in class" distinction
- EPA Climate Protection Award
- SEPA Top 10 Utility Solar Ranking
- Top 10 in U.S. in Technology Innovation and #1 utility

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# SunCor

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# SunCor Overview

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- **Commercial and residential real estate developer in Western U.S.**
- **Total assets = \$578 million**
- **Equity = \$297 million**
- **Diverse geographic and business mix**
  - **6 master-planned communities**
  - **2 major commercial projects**

As of September 30, 2008





# SunCor Near-Term Tactics

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- **Manage land, residential and commercial inventory**
- **Reduce costs / improve efficiency**
  - **Workforce reduced 50% from peak**
  - **Capital expenditure reduction/delay**
  - **General and administrative expenses being reduced more than 20% from peak**

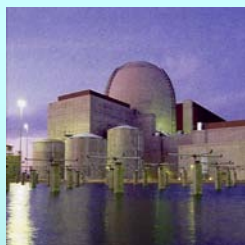
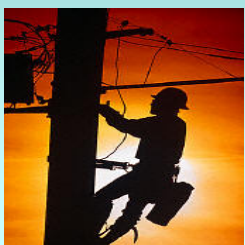
# Strategic Summary

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- **Manage intrinsic growth in our markets**
- **Prudently increase our resource portfolio**
- **Maintain top-quartile operational performance and reliability**
- **Achieve constructive regulatory outcomes**
- **Manage costs aggressively**
- **Improve financial strength and shareholder value**



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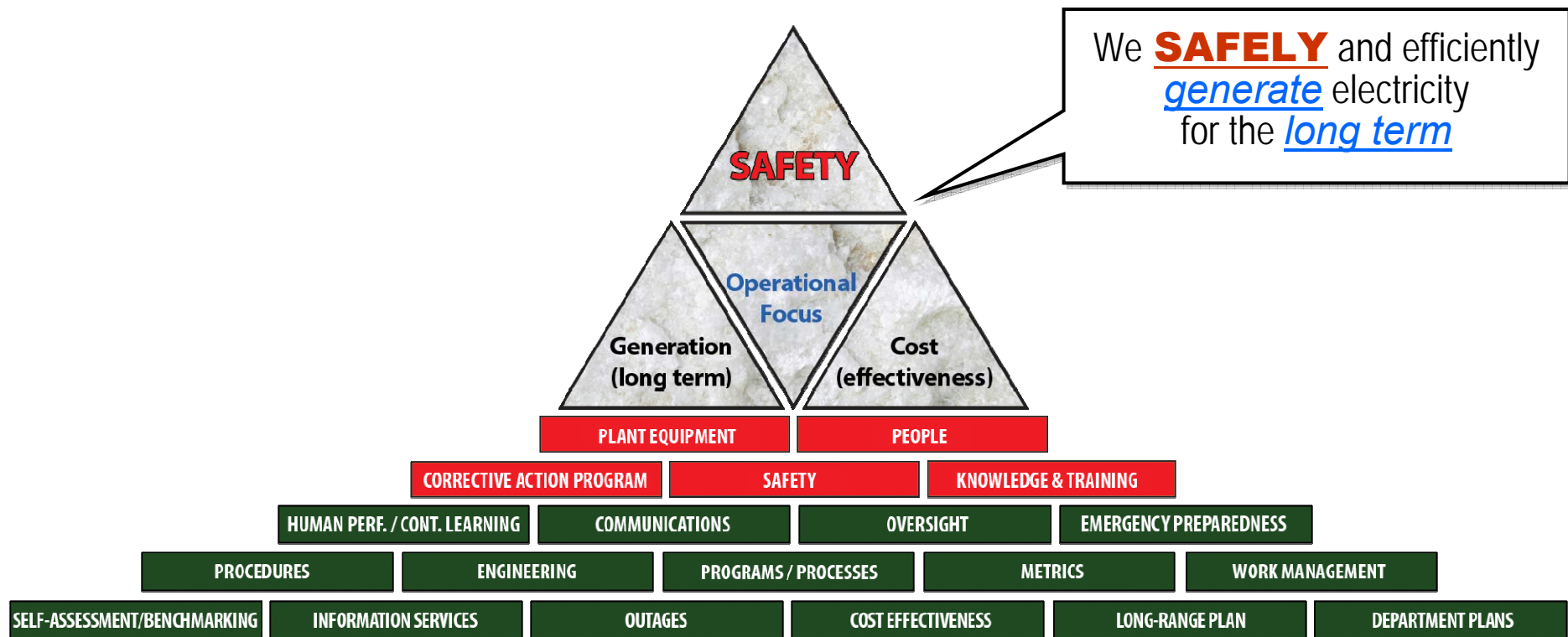


# **Palo Verde Overview**

**Randy Edington**

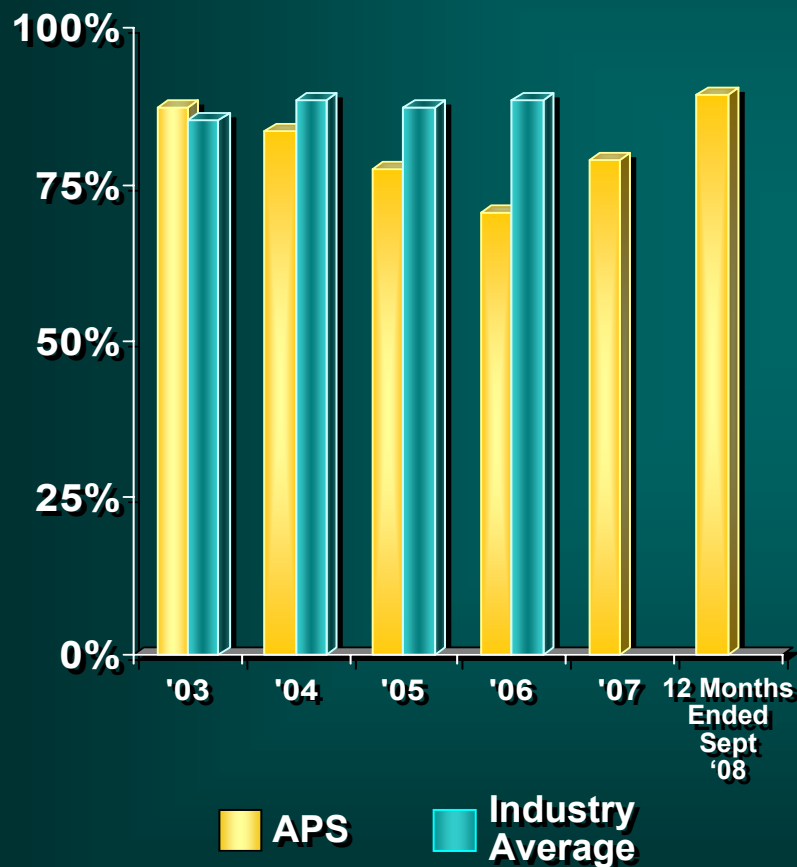
**Analyst Conference  
November 7, 2008**

# Palo Verde's Business Plan



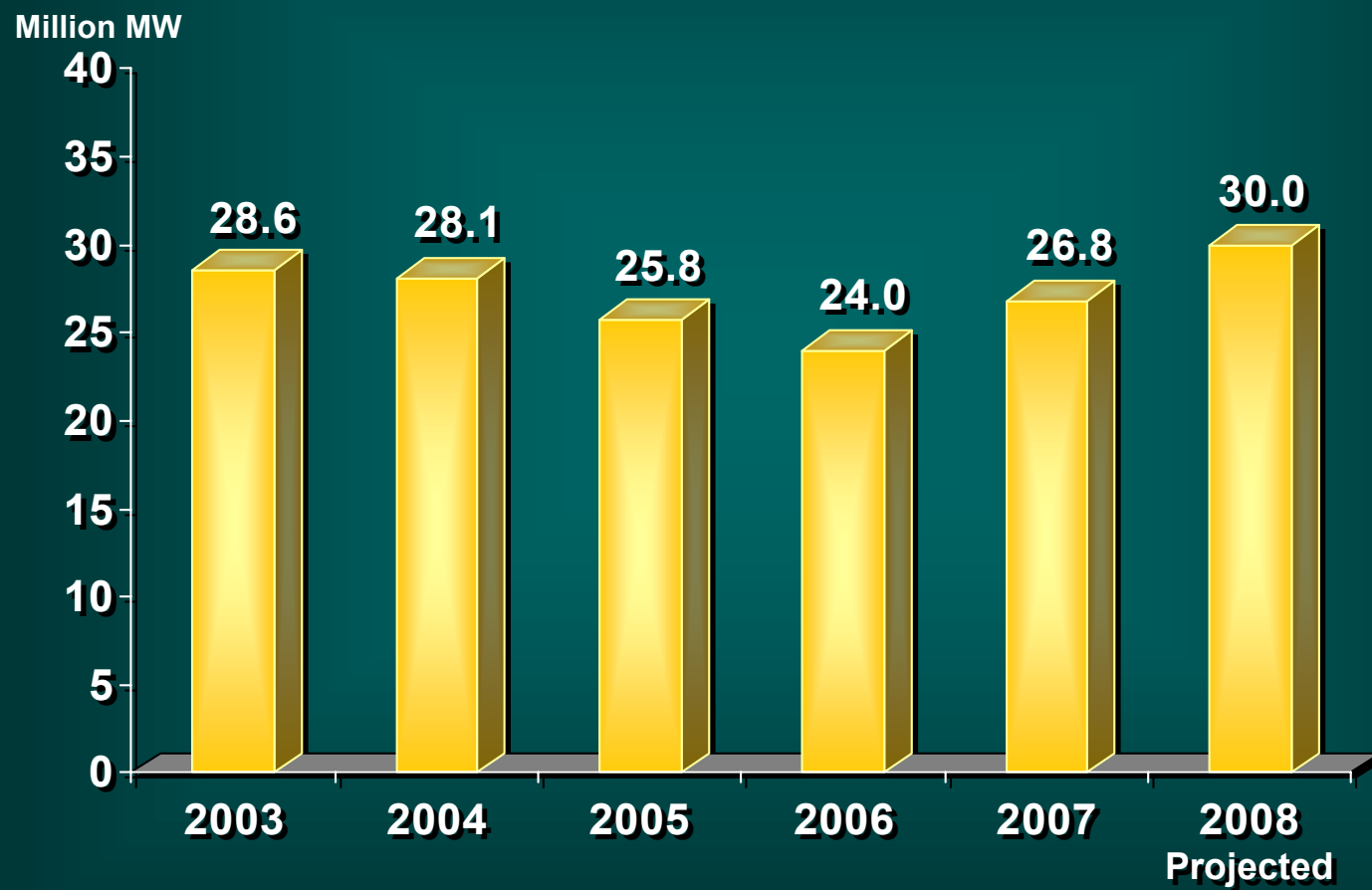
# Improving Nuclear Generation Performance

## *Capacity Factors*



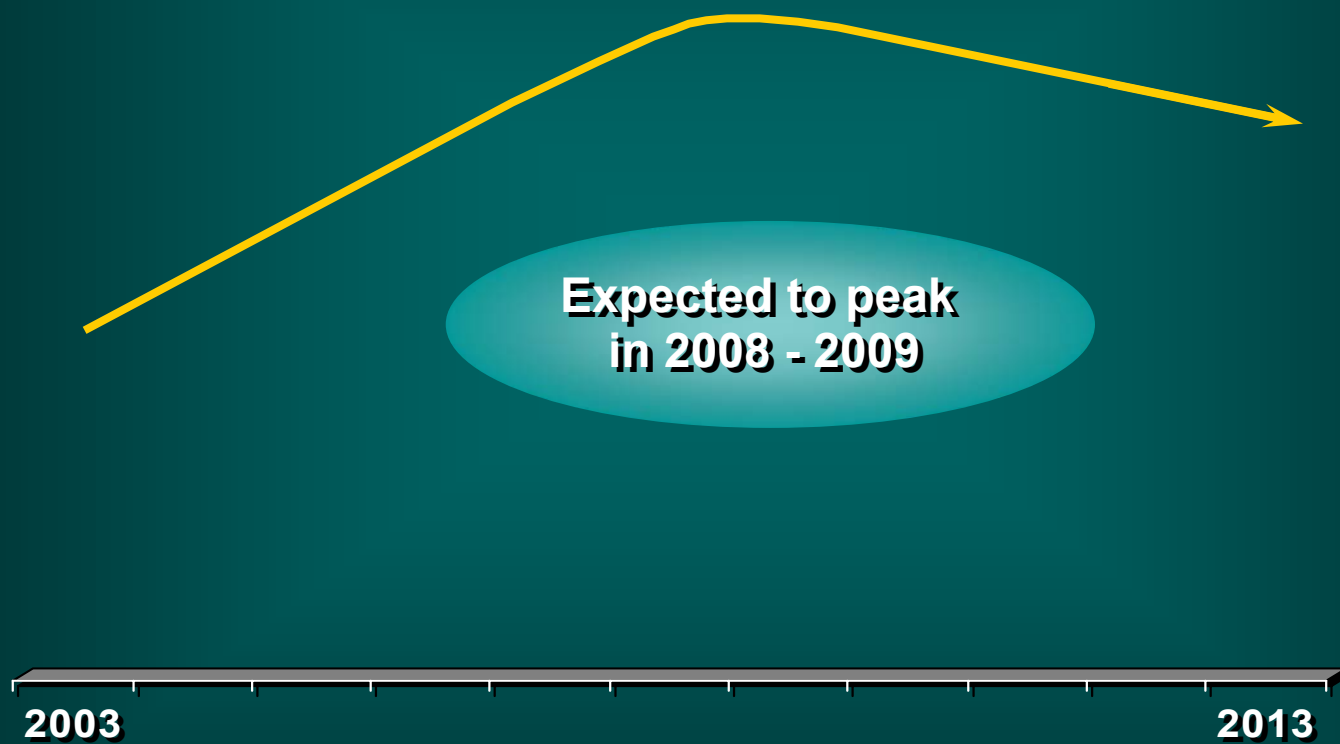
- Top U.S. power producer past 15 years
- Goal to achieve consistent site capacity factor greater than 88%
- Performance improvement plan underway
- Strengthening regulatory relationships

# Net Generation



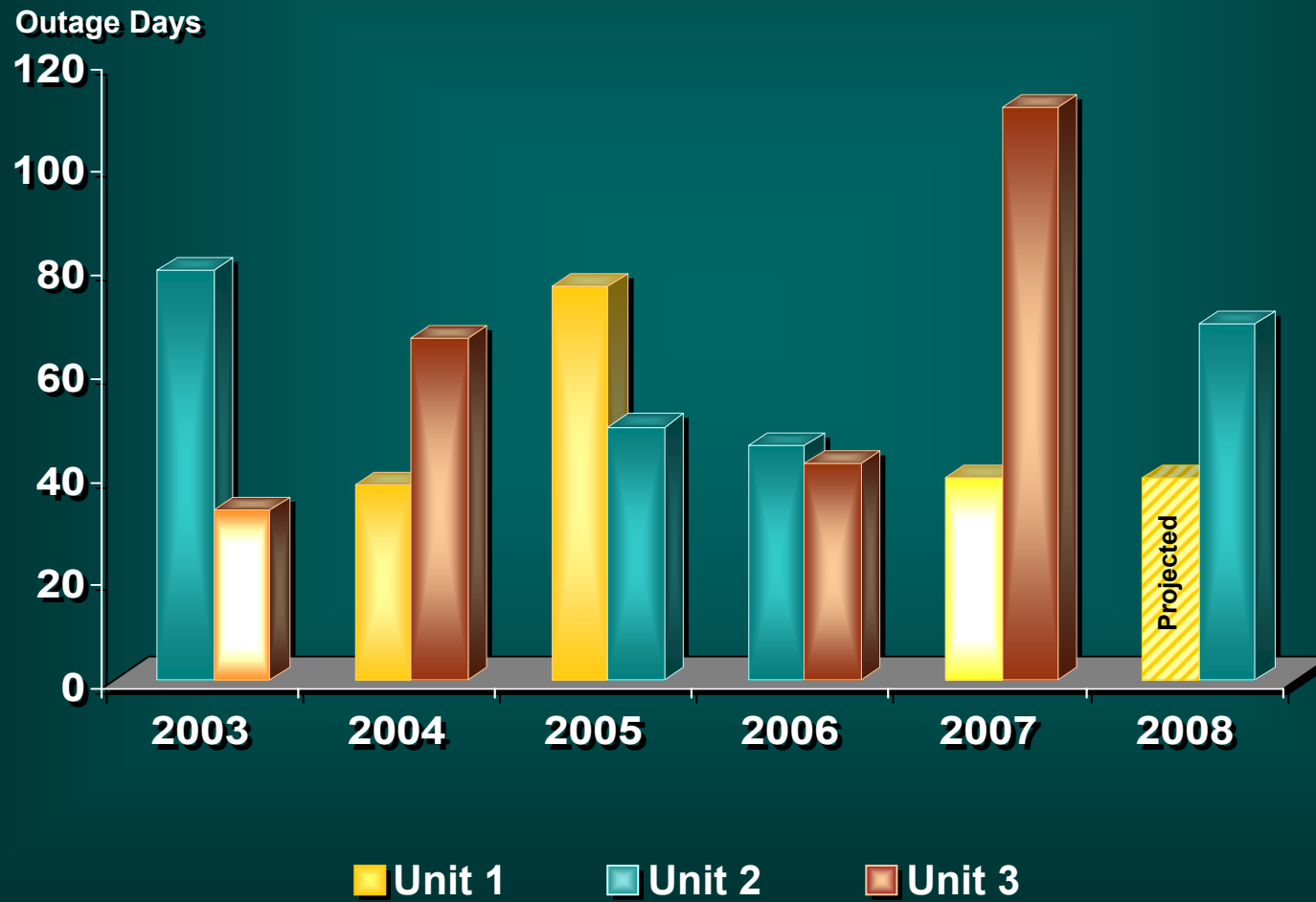
# O&M Cost Trends

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# Refueling and Steam Generator Replacement Outages



# **Regulatory Activities**

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- **Site Integrated Business Plan (SIBP)**
- **Site Integrated Improvement Plan (SIIP)**
- **Confirmatory Action Letter (CAL)**
  - **Expected to be cleared by end of 2009**
- **NRC Reactor Oversight Action Matrix**
  - **Unit 3 expected to be out of Column 4 by end of 2009**
- **License Renewal Request**

# License Renewal

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- **Plan to file application by end of 2008**
- **Request to extend operating licenses by 20 years**
- **License extension process expected to take about two years**



# **Major Capital Improvements**

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## **Completed projects**

- **Steam generators**
- **Low-pressure turbines**

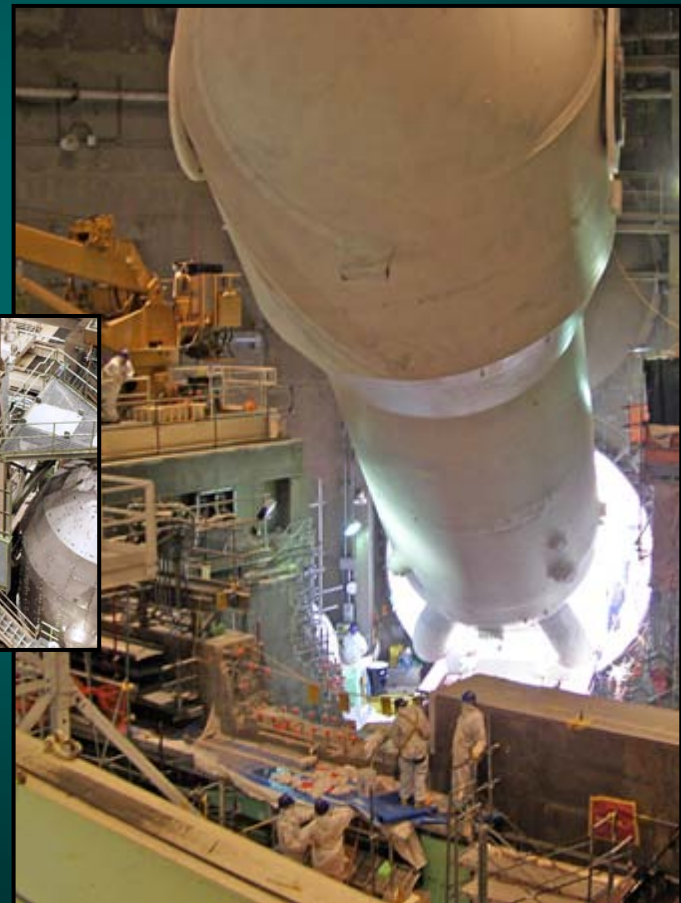
## **Future projects**

- **Reactor vessel heads**
- **Rapid refueling packages**
- **Cooling towers**

**All projects in capital expenditure forecasts**

# Steam Generators and Low-Pressure Turbines

- Completed at all units in 2003 – 2007
- Increased production capability
  - 210 MW total site
  - 61 MW APS share



# Reactor Vessel Head Replacements

- **Planned timing (during normal refueling outages):**
  - Unit 2 – Fall 2009
  - Unit 1 – Spring 2010
  - Unit 3 – Fall 2010
- **Estimated outage duration**
  - About 60 days/unit
- **Projected site costs (all units)**
  - \$90-100 million total project
  - APS share 29.1%





# Rapid Refueling Packages

- **Planned timing**
  - **Concurrent with reactor vessel head replacements**
- **Projected site costs (all units)**
  - **\$100-110 million total project**
  - **APS share 29.1%**



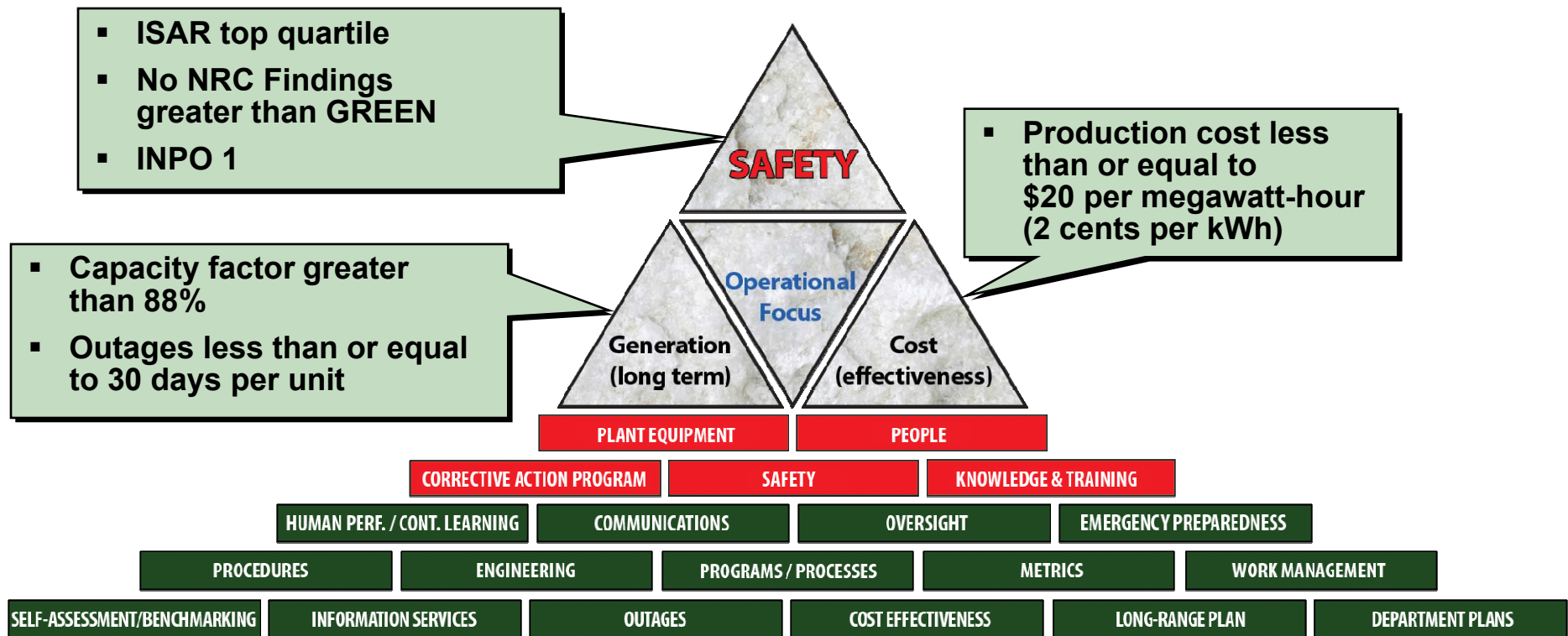
# Cooling Tower Replacements

- **Currently in design stage**
- **Projected completion: 2015**
- **Preliminary site project cost estimate (all units)**
  - **\$400 million total project**
  - **APS share 29.1%**





# The Road to Excellence – 2013 Goals





# Regulatory Overview

**Steve Wheeler**

**Analyst Conference  
November 7, 2008**

# Today's Agenda

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- **Regulatory goals**
- **Significant developments in recent years**
- **Retail rate cases pending**
  - **Interim base rate request**
  - **General rate case**
- **Transmission rate settlement**
- **ACC election results**
- **Focusing on regulatory improvements**

# **APS' Primary Regulatory Goals**

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- **Timely cost recovery and return on investment**
- **Financial strength and stability**
- **APS integrated resource plan approval**
- **Improved regulatory processes**
- **Establishment of prudent, comprehensive state energy policy**
- **Support for beneficial customer programs**

# **Significant Developments Since 2005**

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- **Unification of PWEAC assets**
- **Retail cost recovery mechanisms**
  - **Fuel and purchased power adjustor (PSA)**
  - **Transmission cost adjustor (TCA)**
  - **Renewables surcharge (RES)**
  - **Demand-side management adjustor (DSM)**
  - **Environmental improvement surcharge (EIS)**
- **Retail line extension fees**
- **FERC “formula” transmission rates**

# **APS Interim Base Rate Request Details**

- **Application filed with ACC June 6, 2008**
- **Base rate surcharge to be effective until general rate case decision**
  - **\$0.004 per kWh (approximately 4%)**
  - **\$115 million annual pretax retail revenues**
- **Subject to refund pending outcome of general rate case**
- **Hearings September 15-19, 2008**
- **Requested effective date November 2008**

# **Interim Rate Request Themes**

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- **Address APS' financial condition pending general rate case proceedings**
  - **Preserve investment-grade credit ratings**
  - **Provide cash flow**
  - **Strengthen credit metrics and earnings**
- **Protect customers against higher future costs**
- **Reduce rate volatility for customers**
- **Recognize cost management essential, but not enough**
- **Implement as part of broader four-part plan to restore APS' financial strength**

# Summary of Staff and Intervenor Positions on Interim Relief Request

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## **ACC Staff**

- Does not support interim increase
- If Commission grants request
  - \$65 million annual revenue increase recommended
  - No equity infusion pre-condition

## **Residential Utility Consumer Office (RUCO)**

- Does not support interim increase

## **Arizonans for Electric Choice and Competition (AECC)**

- Supports \$42.4 million annual revenue increase effective January 1, 2009
- Equal percentage increase

## **Arizona Investment Council (AIC)**

- Supports APS request

## **Mesquite Group (merchant generators)**

- Supports APS request

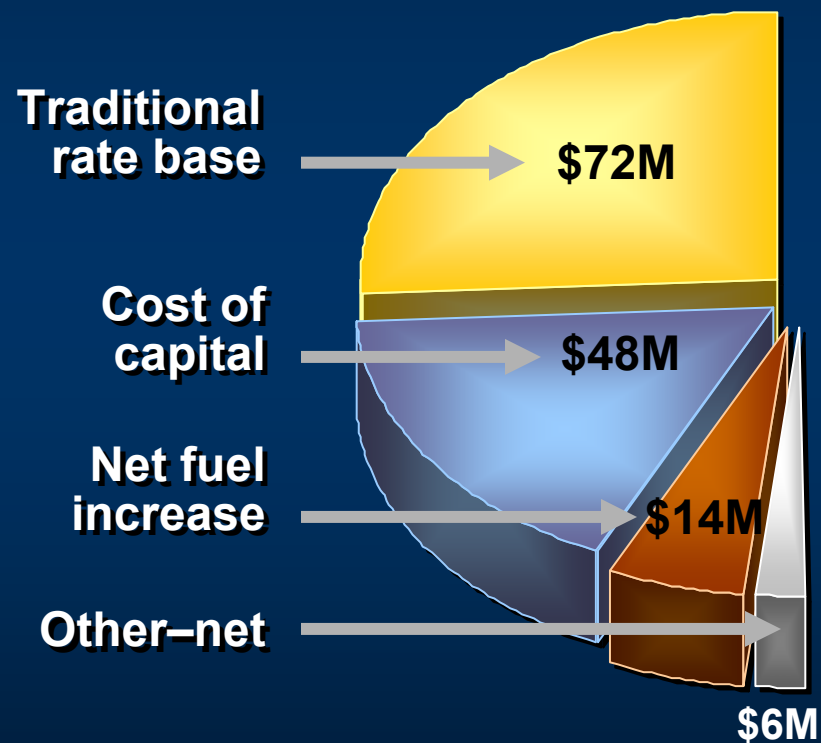


# **APS Retail Rate Case Elements**

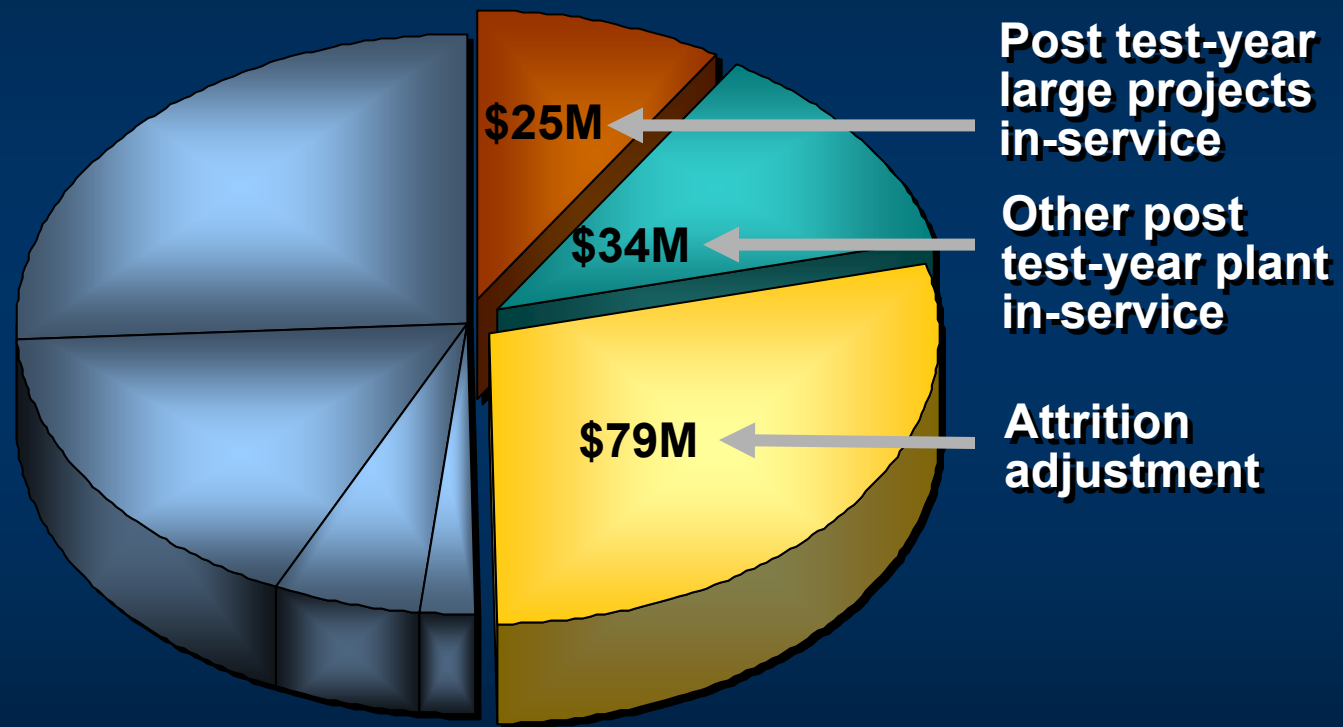
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- **Adjusted 2007 test year**
- **Recognize \$1.7 billion of capital expenditures since last rate case**
- **Address earnings attrition**
- **Implement new growth impact fee**
- **Encourage energy efficiency programs**
- **New conservation rates**

# Composition of \$278 Million APS Rate Increase



# Composition of \$278 Million APS Rate Increase



# **Proposals to Mitigate Earnings Attrition**

- **Post test-year plant additions**
  - **Consistent with ACC historic test-year methodology**
  - **\$174 million large projects in service by mid-2008**
  - **\$245 million other plant in service by time rates go into effect**
- **\$79 million attrition adjustment to capture revenue shortfall of projected 2010 cost levels**
- **Removal of disincentives to DSM programs**

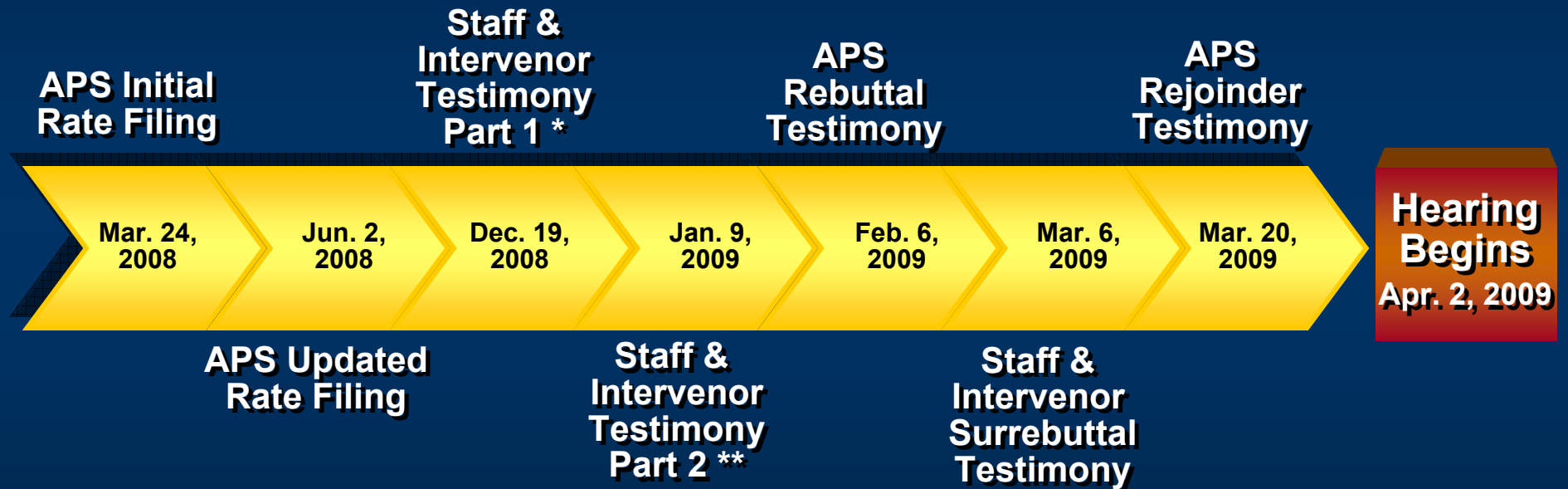
# Growth Impact Fee Proposal

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- Helps “growth pay for itself”
- Reduces increase for existing customers
- Supplements line extension payments approved in early 2008
- Captures additional growth-related costs
  - Carrying costs of tax asset related to line extension payments
  - Incremental operating costs

Net base rate increase	\$ 278 million	10.5 %
Proposed growth impact fee	<u>(53) million</u>	<u>(2.0)%</u>
Increase for existing customers	<u>\$ 225 million</u>	<u>8.5 %</u>

# APS Retail Rate Case Schedule



\* All issues except rate design and cost of service

\*\* Rate design and cost of service issues



# **Timely Transmission Rate Updates**

- **Annual formula-based rate adjustments  
(based on prior-year FERC Form 1 data)**
- **Retail transmission cost adjustor**
- **Key implementation dates**
  - **APS FERC request filing** **July 10, 2007**
  - **Initial increases  
(wholesale and retail adjustor)** **March 1, 2008**
  - **Second increase**
    - **Wholesale** **June 1, 2008**
    - **Retail adjustor** **July 3, 2008**
  - **FERC settlement approval** **July 25, 2008**
  - **Next adjustment** **June 1, 2009**



# Transmission Revenue Increases

	1 <sup>st</sup> Increase			2 <sup>nd</sup> Increase	
	Annual Revenue				
	Request	Settlement	Effective Date	Annual Revenue	Effective Date
Retail Portion (TCA)	\$30M	\$27M	3/1/2008	\$13M	7/3/2008
Wholesale Portion	\$ 7M	\$ 1M	3/1/2008	\$ 2M	6/1/2008
Total Increase	\$37M	\$28M		\$15M	



# Arizona Corporation Commissioners

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***Terms Expire January 2009***



**Mike Gleason**  
Republican



**Jeff Hatch-Miller**  
Republican



**William Mundell**  
Republican

***Terms Expire January 2011***



**Kristin Mayes**  
Republican

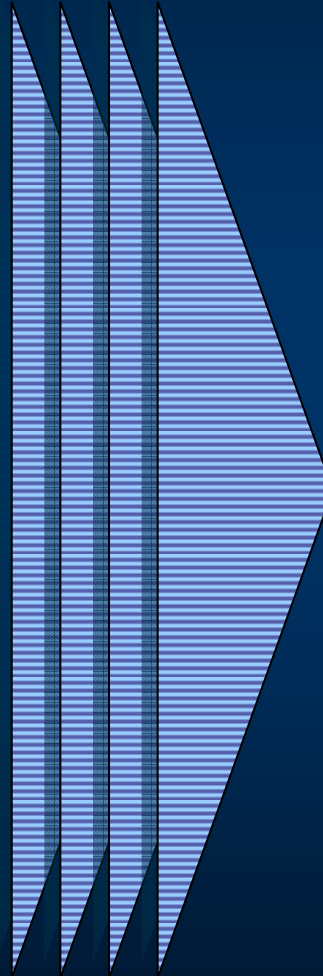


**Gary Pierce**  
Republican

# Focusing on Regulatory Improvements

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- Substantial APS capital expenditures driven by growth and reliability
- APS commodity prices increases
- Historic test year
- Significant regulatory lag
- Inadequate earnings
- Weak credit metrics
- No comprehensive state energy policy

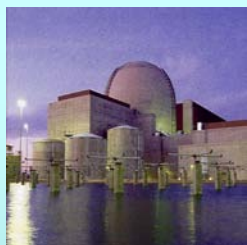
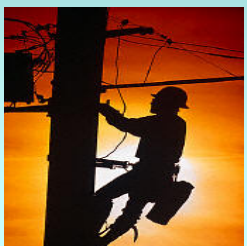


**Partner with ACC and stakeholders to:**

- Assure financial strength
- Address regulatory lag
- Improve alignment of goals
- Implement integrated resource planning
- Increase efficiency through new technology
- Enhance customer service
- Promote sustainable energy resources



PINNACLE WEST  
CAPITAL CORPORATION



# Financial Overview

**Jim Hatfield**

**Analyst Conference  
November 7, 2008**

# Today's Agenda

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- **Financial objectives**
- **Third quarter earnings**
- **Capital expenditures**
- **Liquidity and debt profile**
- **O&M cost management initiatives**
- **Credit ratings and financial metrics**
- **Value proposition**

# **Long-Term Financial Objectives**

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- **Retain APS investment-grade credit ratings**
- **Improve financial strength and agility**
- **Emphasize capital and O&M budgeting disciplines**
- **Maintain ample liquidity and access to capital**
- **Constructively address earnings attrition**
- **Improve total return to above industry average**

# 3<sup>rd</sup> Quarter September Earnings Summary

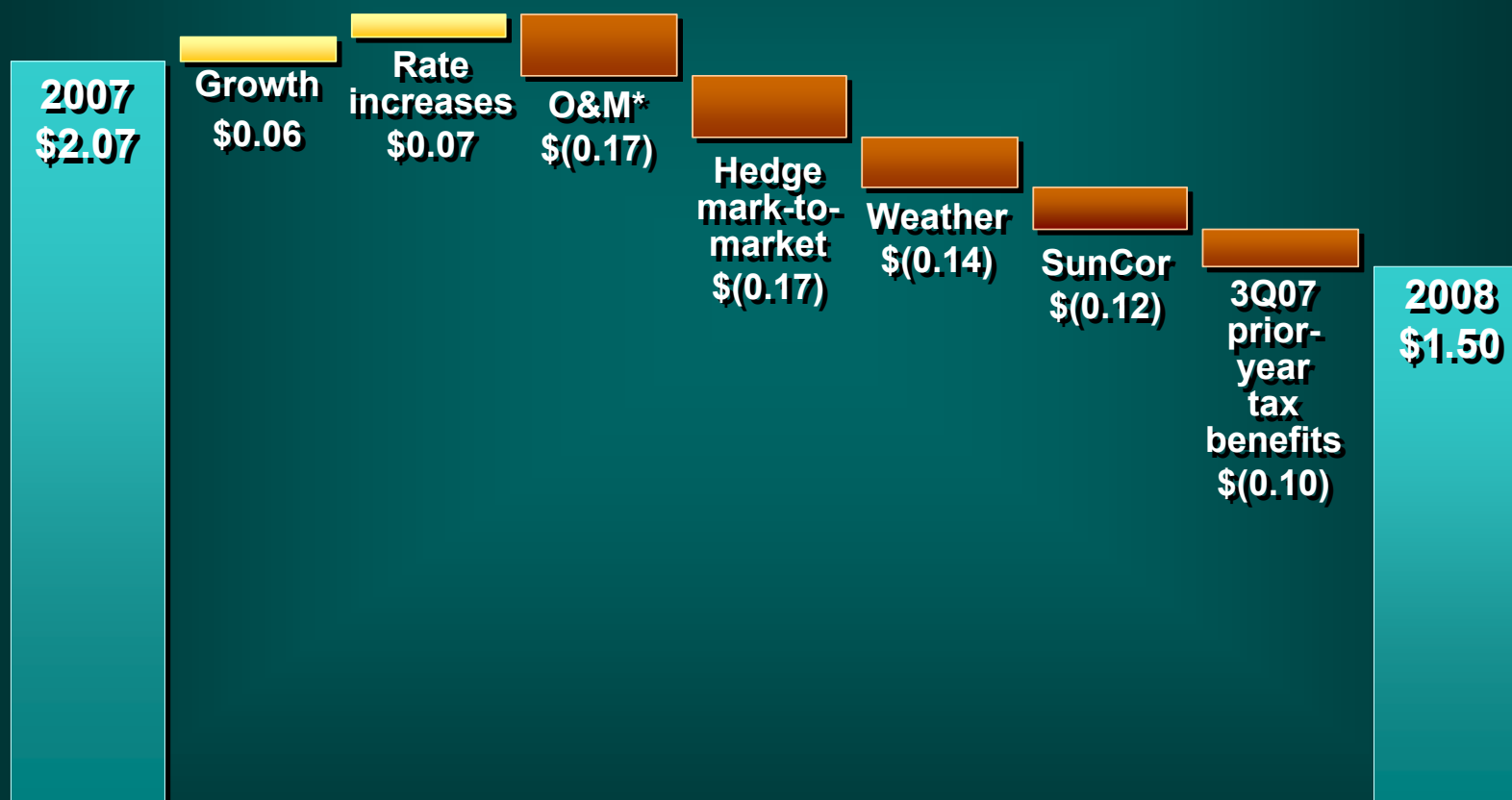
\$ Millions, Except EPS

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	<u>2008</u>	<u>2007</u>	<u>Change</u>
APS	\$ 160	\$ 204	\$ (44)
SunCor	(6)	6	(12)
Other	<u>(2)</u>	<u>(1)</u>	<u>(1)</u>
Net income	<u>\$ 152</u>	<u>\$ 209</u>	<u>\$ (57)</u>
Earnings per share	<u><u>\$ 1.50</u></u>	<u><u>\$ 2.07</u></u>	<u><u>\$ (0.57)</u></u>

# Major EPS Variances

*3<sup>rd</sup> Quarter September 2008 vs 3<sup>rd</sup> Quarter September 2007*



\* Excludes \$0.03 for regulatory-related programs offset in revenues

# **2008 Earnings Guidance**

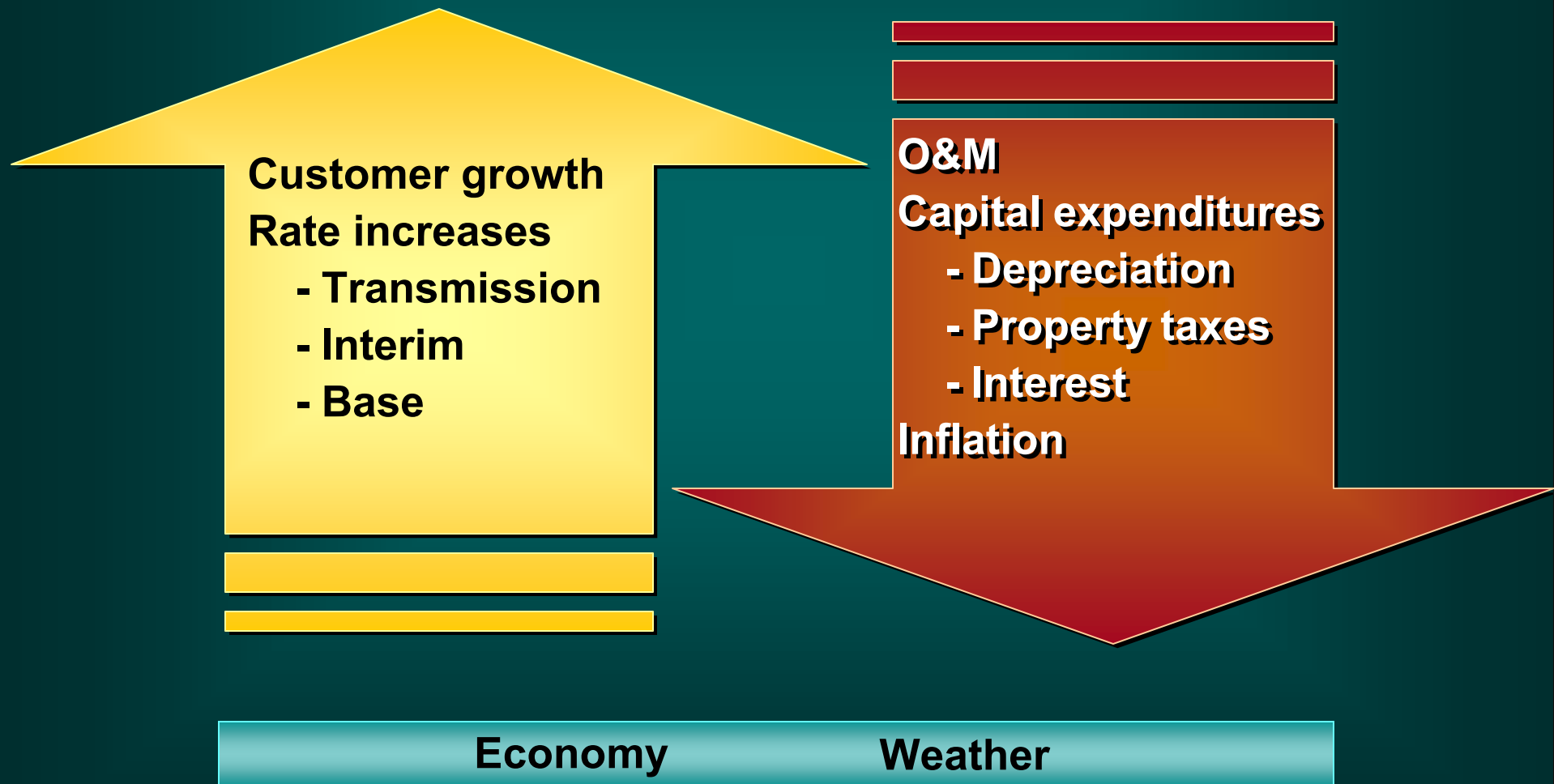
## **As of November 4, 2008**

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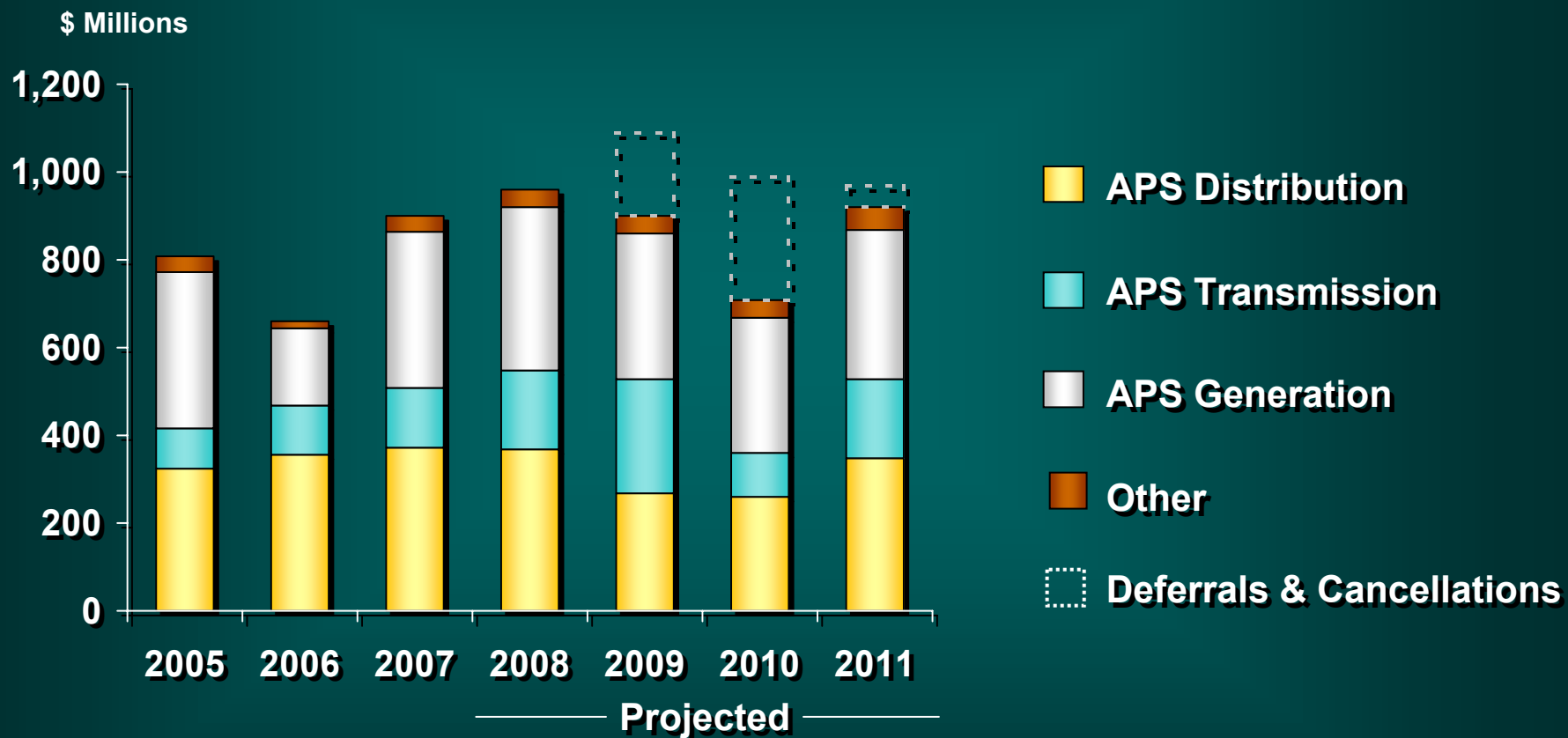
- **Consolidated on-going earnings expected to be within reasonable range around \$2.50 per share**
  - **Excludes \$0.30 per share of prior-year tax credits recorded second quarter 2008**
  - **APS will contribute substantially all of the earnings**
  - **SunCor's contribution will be minimal**



# Primary Future Earnings Drivers



# Significant APS Capital Expenditures to Support Long-Term Growth



Excluding SunCor

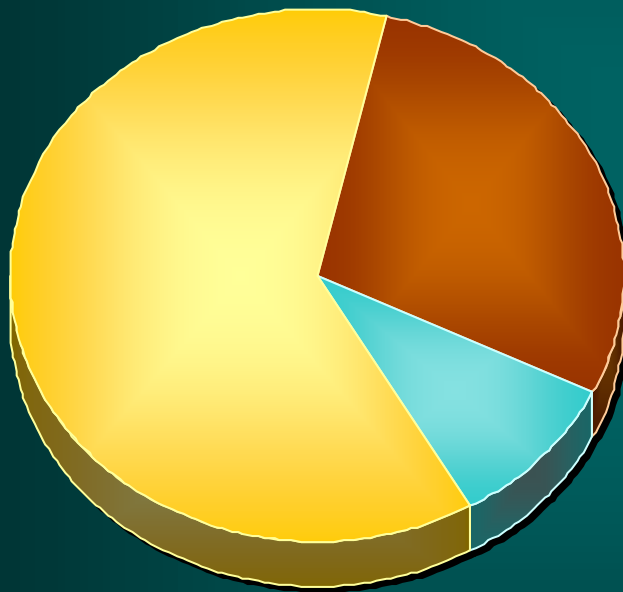
# APS Capital Expenditure Reduction Details Announced October 2008

(\$ Millions)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Transmission	\$ 60	\$ 190	\$ 180	\$ 430
Distribution	100	80	30	210
Generation	<u>60</u>	<u>60</u>	<u>(40)</u>	<u>80</u>
Total	220	330	170	720
Line extension effects	<u>(30)</u>	<u>(50)</u>	<u>(120)</u>	<u>(200)</u>
Net reductions	<u>\$ 190</u>	<u>\$ 280</u>	<u>\$ 50</u>	<u>\$ 520</u>

# APS Capital Expenditure Reductions

***Announced January 2008***

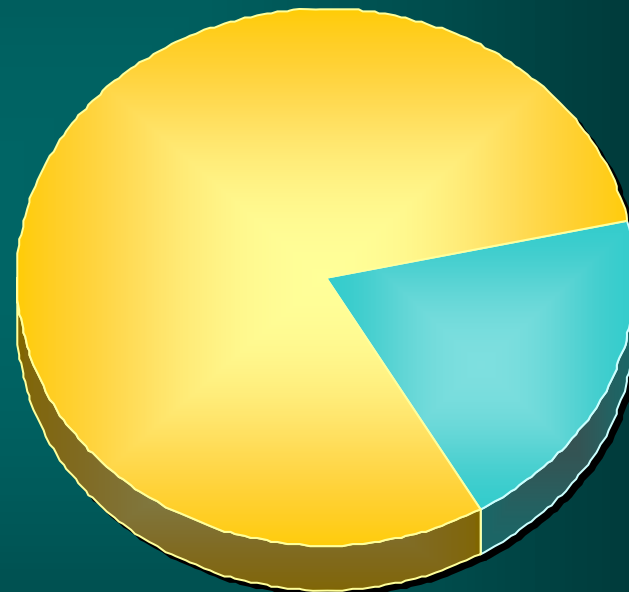
**More than \$200 million in 2008 - 2012**



- Slower customer growth
- Improved planning, logistics & other
- Deferral of upgrades & projects

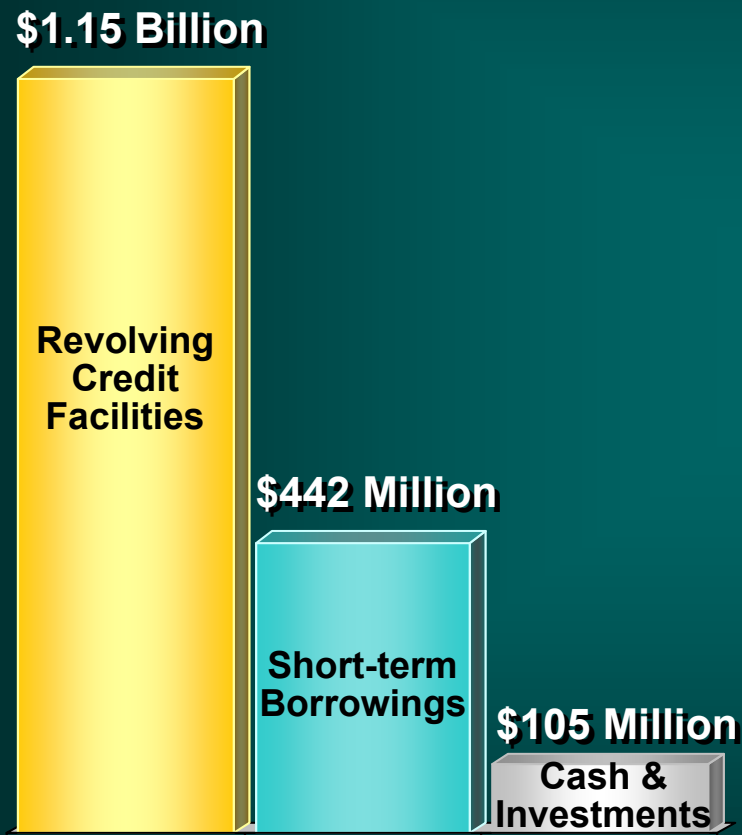
***Announced October 2008***

**More than \$700 million in 2009 - 2011**



- Continued customer growth slowing
- Deferral of upgrades & projects

# Ample Liquidity Resources



- PNW (parent) ➡ \$300 million revolver expires December 2010
- APS ➡ \$400 million revolver expires December 2010
- APS ➡ \$500 million revolver expires September 2011
- \$51 million capacity loss from Lehman commitments
- No MAC clauses or “clean down” provisions

As of September 30, 2008

# Solid Revolver Bank Groups

(\$ Millions)

	<u>APS</u>	<u>PNW</u>	<u>Total</u>	<u>% of Total</u>
BNY Mellon	\$ 80	\$ 30	\$ 110	9.2
Bank of America	93	17	110	9.2
Citigroup	77	29	106	8.8
JPMorgan Chase	77	29	106	8.8
Keybank	68	29	97	8.1
Credit Suisse	61	17	78	6.5
Barclays	53	17	70	5.8
Wells Fargo	53	17	70	5.8
UBS Warburg	53	17	70	5.8
Union Bank	39	29	68	5.7
Mizuho	28	21	49	4.1

Continued

# Solid Revolver Bank Groups - Continued

(\$ Millions)

	<u>APS</u>	<u>PNW</u>	<u>Total</u>	<u>% of Total</u>
Sun Trust	\$ 36	\$ -	\$ 36	3.0
Wachovia	36	-	36	3.0
US Bank	17	13	30	2.5
KBC Bank	24	-	24	2.0
Dresdner	24	-	24	2.0
Bank of Tokyo - Mitsubishi	11	9	20	1.7
Northern Trust	11	9	20	1.7
Chang Hwa	15	-	15	1.3
Bank Hapoalim	10	-	10	0.8
Sub-Total	866	283	1,149	95.8
Lehman Brothers	34	17	51	4.2
Total	<u>\$ 900</u>	<u>\$ 300</u>	<u>\$1,200</u>	<u>100.0</u>

# Debt and Cash Balances

## September 30, 2008

<b>\$ Millions</b>	<b><u>APS*</u></b>	<b><u>Parent</u></b>	<b><u>SunCor</u></b>	<b><u>Total</u></b>
<b>Long-term debt including current maturities</b>	<b>\$ 2,851</b>	<b>\$ 175</b>	<b>\$ 177</b>	<b>\$ 3,203</b>
<b>Short-term debt</b>	<b><u>270</u></b>	<b><u>167</u></b>	<b><u>5</u></b>	<b><u>442</u></b>
<b>Total debt</b>	<b><u>\$ 3,121</u></b>	<b><u>\$ 342</u></b>	<b><u>\$ 182</u></b>	<b><u>\$ 3,645</u></b>
<b>Cash and investments</b>	<b><u>\$ 76</u></b>	<b><u>\$ 19</u></b>	<b><u>\$ 10</u></b>	<b><u>\$ 105</u></b>

\* Excluding sale leaseback obligation bonds (approximately \$188 million)

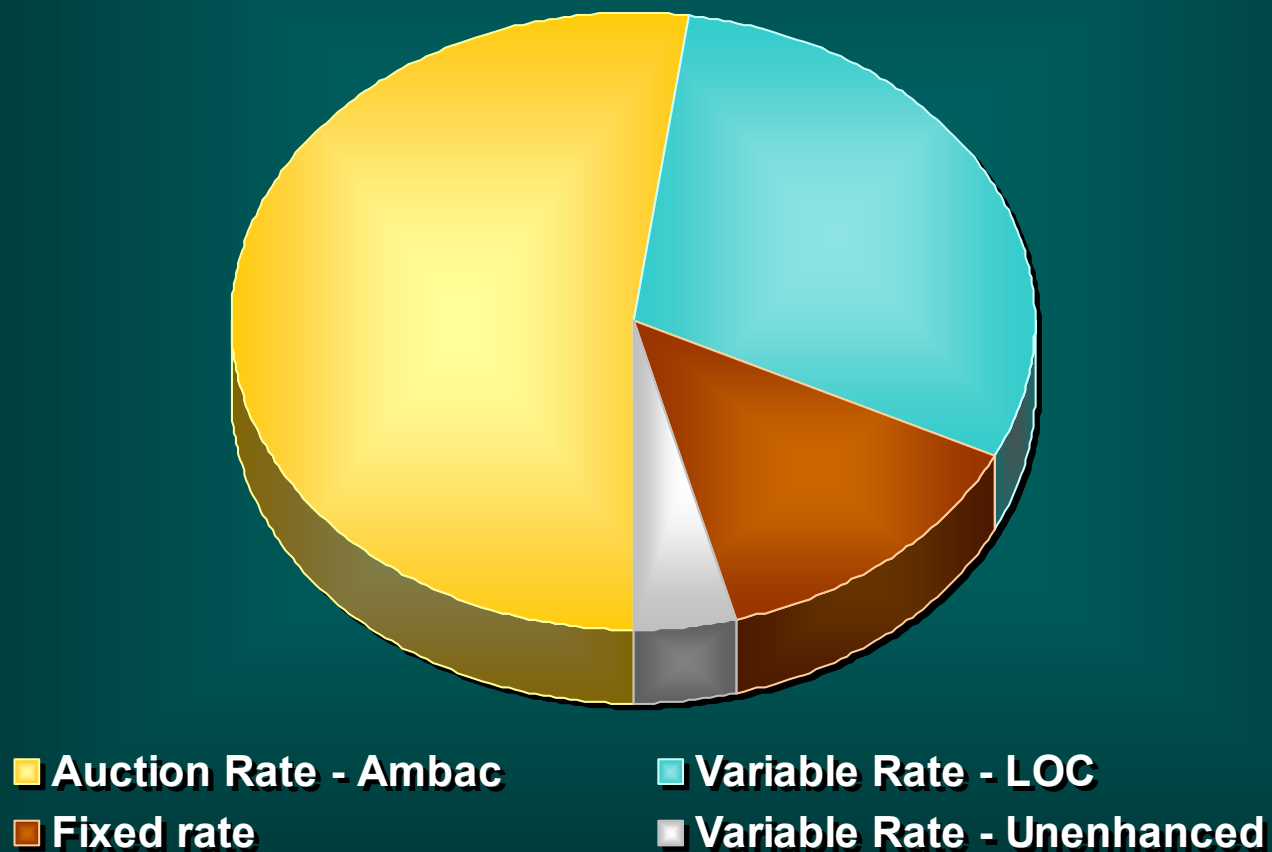


# Tax-Exempt Debt Profile

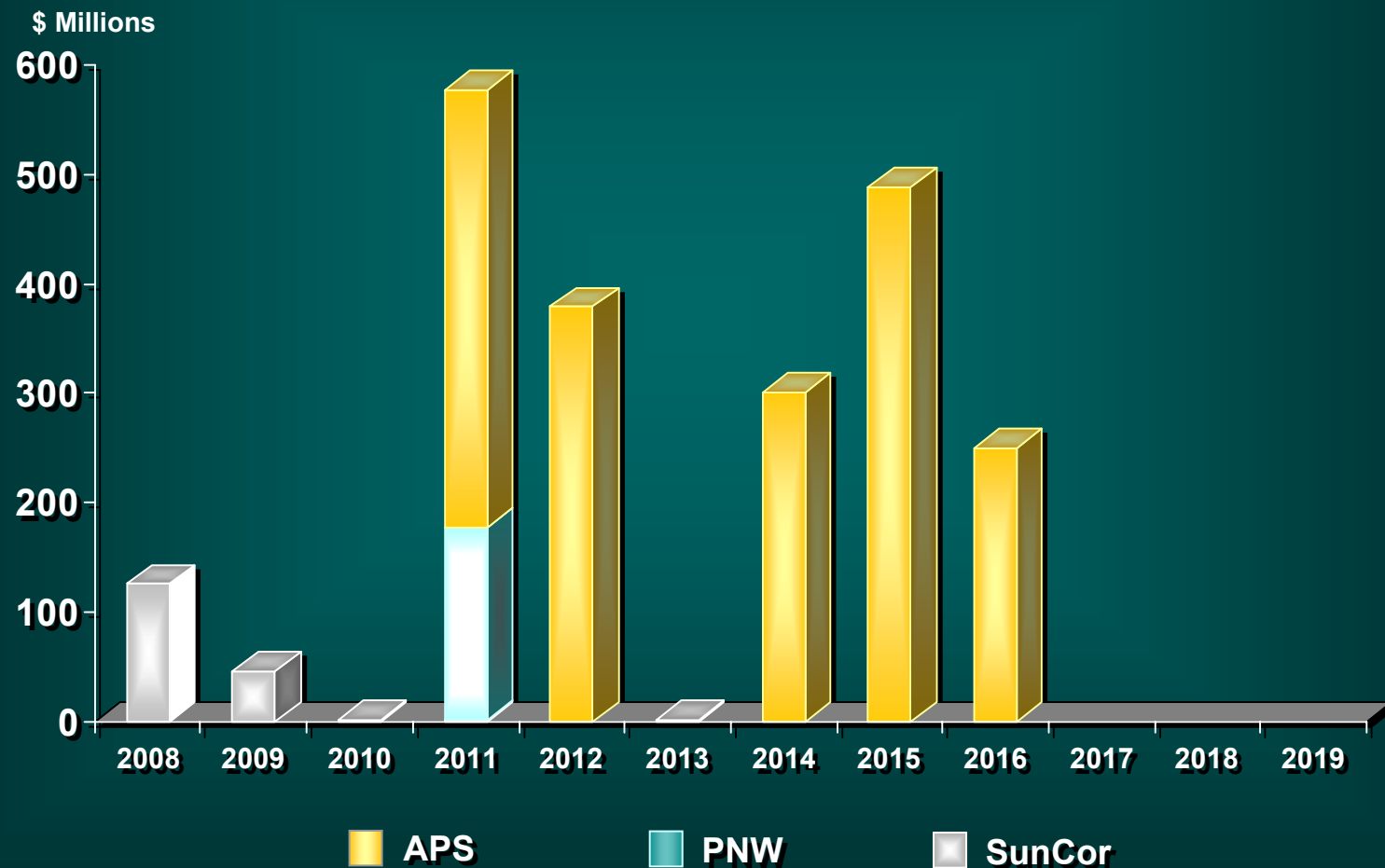
## September 30, 2008

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**\$656 Million**



# Manageable Long-Term Debt Maturity Profile



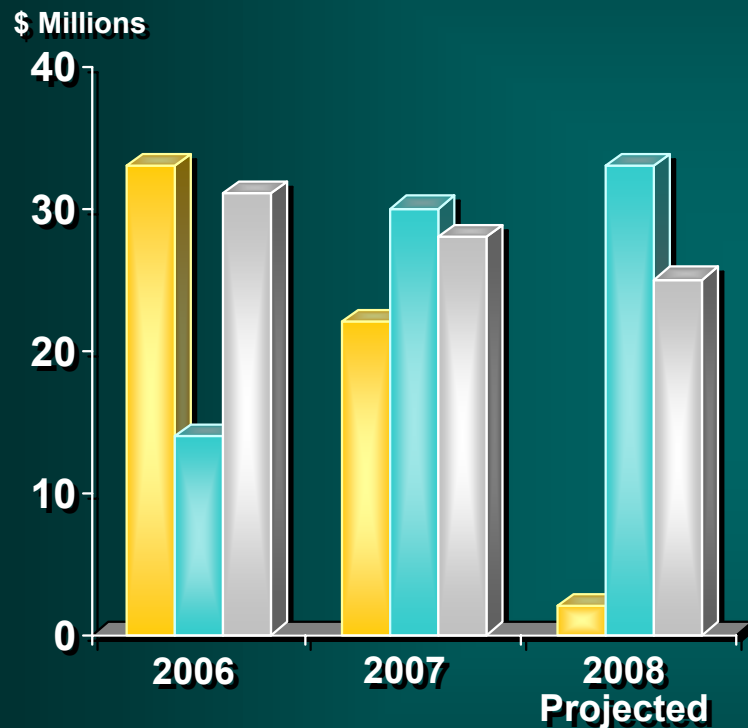
# O&M Cost Management Initiatives

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**Control costs to manage increases and related risks**



# Pension Update

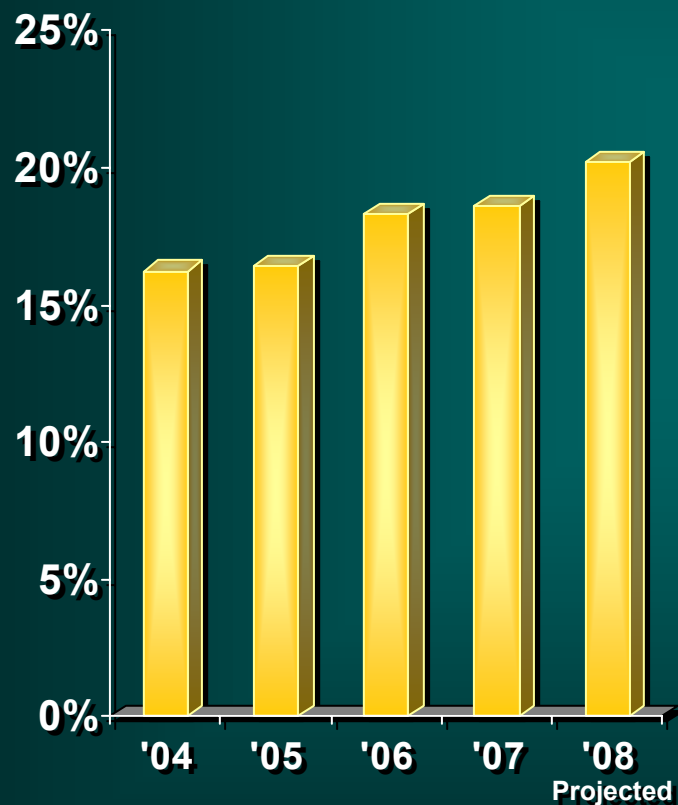


- Required cash contributions
- Optional cash contributions
- Income statement expense

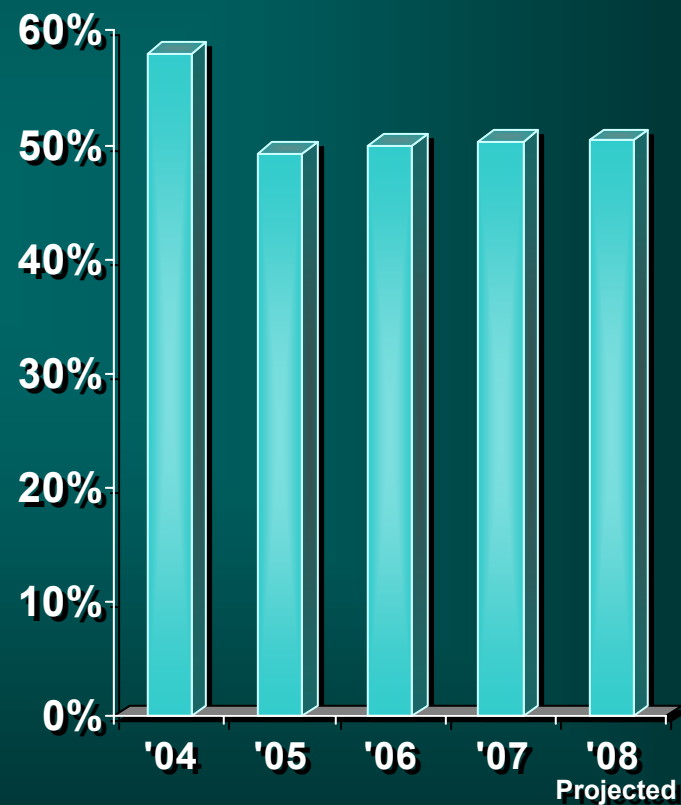
- Prudent funding of pension obligation
- 94% cash funded at 2007 plan year-end
- Annual actuarial valuations based on year-end status

# Long-Term Focus on Improving APS Credit Metrics

*Funds From Operations / Debt*



*Adjusted Debt / Total Capitalization\**



Based on 2008 earnings guidance

\* Adjusted for Palo Verde Unit 2 sale leaseback

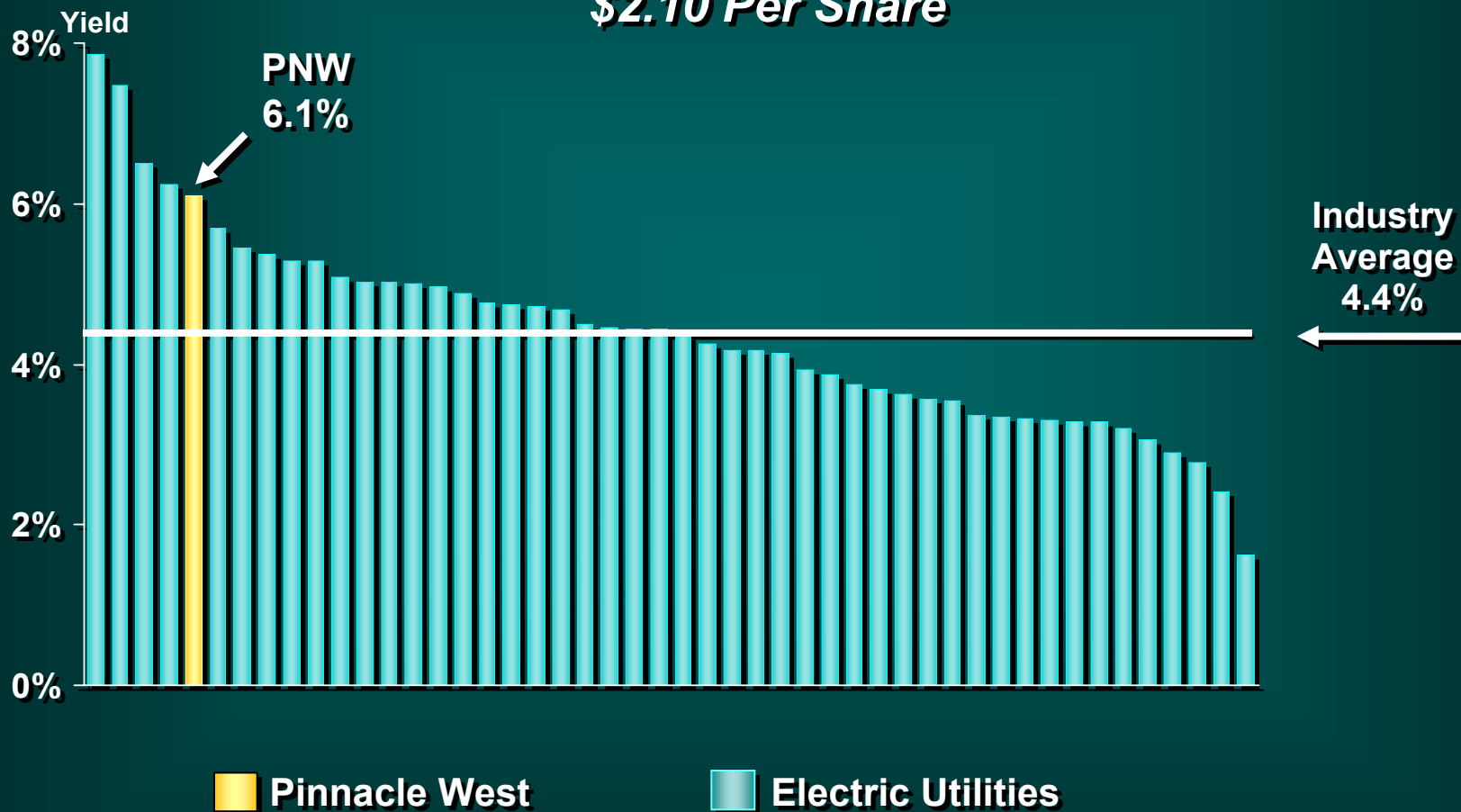
# APS Net Cash Flow as Percent of Capital Expenditures



Based on 2008 earnings guidance

# Attractive Common Stock Dividend

## *Pinnacle West Annual Dividend \$2.10 Per Share*



As of September 30, 2008

# Value Proposition

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- **Integrated, regulated electric utility**
  - **Attractive long-term economic fundamentals**
  - **Operational excellence**
  - **Experienced management and workforce**
  - **Focus on regulatory improvements**
- **Financial performance focus**
- **Valuation**
  - **\$2.10 per share annual dividend**
  - **Investment-grade credit quality**
  - **Opportunities for valuation expansion**